

Gregg M. Galardi, Esq.  
Ian S. Fredericks, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
One Rodney Square  
PO Box 636  
Wilmington, Delaware 19899-0636  
(302) 651-3000

Dion W. Hayes (VSB No. 34304)  
Douglas M. Foley (VSB No. 34364)  
MCGUIREWOODS LLP  
One James Center  
901 E. Cary Street  
Richmond, Virginia 23219  
(804) 775-1000

- and -

Chris L. Dickerson, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
333 West Wacker Drive  
Chicago, Illinois 60606  
(312) 407-0700

Proposed Counsel to the Debtors  
and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - X  
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In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. 08-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - X

**MOTION FOR ORDER UNDER 11 U.S.C. §§ 105, 362 AND 541 AND  
FED. R. BANKR. P. 3001 AND 3002 ESTABLISHING NOTICE,  
HEARING, AND SELL-DOWN PROCEDURES FOR TRADING IN EQUITY  
SECURITIES AND CLAIMS AGAINST THE DEBTORS' ESTATES**

The debtors and debtors in possession in the  
above-captioned cases (collectively, the "Debtors")<sup>1</sup>

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<sup>1</sup> The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc.

hereby move (the "Motion") for the entry of an order (the "Order"), substantially in the form attached hereto, under sections 105, 362 and 541 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 3001 and 3002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) establishing notice and hearing procedures that must be satisfied before certain transfers of equity securities in Circuit City Stores, Inc. ("Circuit City") or of any beneficial interest therein are deemed effective, (ii) establishing notice and sell-down procedures for trading in claims against the Debtors' estates, and (iii) allowing for a hearing with respect to the prospective application of such procedures if any official committee of unsecured creditors appointed in these cases (the "Creditors' Committee") raises a timely objection. In support of the

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(3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

Motion, the Debtors rely upon and incorporate by reference the Declaration of Bruce H. Besanko, Executive Vice President and Chief Financial Officer of Circuit City Stores, Inc., in Support of Chapter 11 Petitions and First Day Pleadings (the "Besanko Declaration"), filed with the Court concurrently herewith. In further support of the Motion, the Debtors respectfully represent:

#### **JURISDICTION AND VENUE**

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a), 362 and 541. Relief is warranted under Bankruptcy Rule 3001.

#### **BACKGROUND**

2. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code. The factual background regarding the Debtors, including

their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Besanko Declaration, which is fully incorporated herein by reference.<sup>2</sup>

3. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

4. No trustee or examiner has been appointed in these chapter 11 cases, and no committees have yet been appointed or designated.

#### **THE DEBTORS' NET OPERATING LOSSES**

5. The Debtors have recently incurred, and are currently incurring, significant net operating losses ("NOLs"). By this Motion, the Debtors seek authorization to protect and preserve their valuable tax attributes, including, without limitation, current year NOLs, NOL carryforwards, and built-in losses in excess of \$470 million (collectively, the "Tax Attributes") by establishing, pursuant to sections 105(a), 362(a)(3) and

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Besanko Declaration.

541 of the Bankruptcy Code, notice and hearing procedures regarding the trading of Circuit City equity securities that must be complied with before such trades or transfers become effective. In addition, the Debtors seek to establish notice and sell-down procedures regarding claims of the Debtors. If no trading restrictions regarding equity securities and no sell-down procedures regarding claims are imposed by this Court, unrestricted trading or transfers of equity securities and claims could severely limit or even eliminate the Debtors' ability to use their Tax Attributes, a valuable asset of the Debtors' estates, and could have significant negative consequences for the Debtors, their estates and the overall reorganization process.

6. The Tax Attributes are of significant value to the Debtors and their estates because the Debtors can carry forward their NOLs to offset their future taxable income for up to 20 taxable years,<sup>3</sup> thereby reducing their future aggregate tax obligations

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<sup>3</sup> See 26 U.S.C. § 172.

and freeing up funds to meet working capital requirements and service debt. Such NOLs may also be utilized by the Debtors to offset any taxable income generated by transactions completed during the Chapter 11 Cases.

7. Specifically, unrestricted trading of Circuit City claims and equity securities could adversely affect the Debtors' Tax Attributes if:

(a) too many 5% or greater blocks of equity securities are created or too many shares are added to or sold from such blocks, such that, together with previous trading by 5% shareholders during the preceding three-year period, an ownership change within the meaning of section 382 of the Internal Revenue Code of 1986, as amended ("I.R.C."), is triggered prior to consummation, and outside the context, of a confirmed chapter 11 plan, or

(b) the beneficial ownership of claims against the Debtors that are currently held by "Qualified Creditors"<sup>4</sup> under the applicable tax regulations is transferred, prior to consummation of a plan, and those claims

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<sup>4</sup> It is possible that equity will be distributed to holders of certain classes of claims under a future plan of reorganization. As discussed below, if a sufficient percentage of the holders of these claims are not Qualified Creditors (as defined below), then the Debtors will fail to qualify for relief under the safe harbor of I.R.C. § 382(1)(5), and the Debtors' ability to use their Tax Attributes may be severely restricted. The monitoring of, and possible restrictions on, claims trading proposed herein are designed to ensure that the claimants who will or may be receiving stock under the plan are Qualified Creditors.

(either alone or when accumulated with other claims currently held by nonqualified creditors) would be converted under a plan of reorganization into a 5% or greater block of the stock of the reorganized Debtors.<sup>5</sup>

**RELIEF REQUESTED**

8. To preserve to the fullest extent possible the flexibility to craft a plan of reorganization that maximizes the use of the Tax Attributes, the Debtors seek limited relief that will enable them to closely monitor certain transfers of Circuit City equity securities and, if necessary, require a sell-down of claims, so as to be in a position to act expeditiously if necessary to preserve their Tax Attributes. Thus, the Debtors request that this Court enter an order immediately, thereby preserving the status quo in this regard, and, to the extent necessary, allow for a hearing with respect to the prospective application of such procedures if the Creditors' Committee raises a timely objection.

9. The ability of a company to use its NOLs and certain other tax attributes to reduce future taxes

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<sup>5</sup> As described below, the relief requested herein has been narrowly tailored in order to comply with the Qualified Creditor de minimis rules of the Treasury Regulations.

is subject to certain limitations contained in 26 U.S.C. § 382 ("Section 382"). As a general matter, if a corporation undergoes a change of ownership, Section 382 limits the corporation's ability to use its NOLs and certain other tax attributes to offset future taxable income. Under Section 382, a change of ownership occurs where the percentage of a company's equity held by one or more 5% shareholders increases by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during a three-year rolling testing period.

10. The general purpose of Section 382 is to prevent a company with taxable income from reducing its tax obligations by acquiring control of a company with built-in tax losses. To achieve this objective, Section 382 limits the amount of taxable income that can be offset by a pre-change loss to the long-term tax exempt bond rate (as published by the Treasury) as of the change-of-control date multiplied by the value of the stock of the loss corporation immediately before the ownership change. Built-in losses recognized during the



five-year period after the change date are subject to similar limitations.

11. By establishing procedures for continuously monitoring equity-securities trading and for notice and sell-down of claims, the Debtors can preserve their ability to seek substantive relief at the appropriate time, particularly if it appears that trading of equity securities or claims may jeopardize the use of their Tax Attributes. Accordingly, the Debtors request that this Court enter an order establishing procedures for monitoring equity-securities trading and for notice and sell-down of claims and allow for a hearing with respect to the prospective application of such procedures if any Creditors' Committee appointed in these Chapter 11 Cases raises a timely objection.

#### **BASIS FOR RELIEF**

##### **A. The Significance Of The Debtors' Tax Attributes**

12. As a result of past and current operations, the Debtors presently have Tax Attributes of approximately \$470 million, which amounts are likely to be substantially higher when the Debtors emerge from

Chapter 11. These Tax Attributes could translate into potential future tax savings for the Debtors of approximately \$165 million, based on a federal income tax rate of 35%.

13. Sections 39(a), 59(e), 172(b), and 904(c) of the I.R.C. permit corporations to carry forward Tax Attributes to offset future taxable income and tax liability, thereby significantly improving such corporations' cash position in the future. Thus, the Debtors' Tax Attributes are a valuable asset of the estates, and their availability will facilitate the Debtors' successful reorganization and serve to improve creditor recoveries. The Debtors' ability to use their Tax Attributes, however, could be severely limited under Section 382 as a result of the trading and accumulation of claims against, and equity securities in, the Debtors prior to consummation of a plan of reorganization.

**B. The Provisions Of I.R.C. § 382**

14. Section 382 of the I.R.C. limits the amount of taxable income that can be offset by a corporation's NOLs in taxable years (or portions thereof) following an ownership change. Generally, an "ownership

change" occurs if the percentage (by value) of the stock of a corporation owned by one or more five-percent shareholders has increased by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the three-year testing period ending on the date of the ownership change.<sup>6</sup> For example, an ownership change would occur in the following situation:

An individual ("A") owns 50.1% of the stock of corporation X ("X"). A sells his 50.1% interest to another individual ("B"), who owns 5%. Under I.R.C. § 382, an ownership change has occurred because B's interest in X has increased more than 50 percentage points (from 5% to 55.1%) during the testing period. The same result would follow even if B owned no X stock prior to the transaction with A because B both becomes a 5% shareholder and increases his ownership by more than 50% percentage points during the testing period.

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<sup>6</sup> In general, under I.R.C. § 382(g)(4)(A), all stockholders who individually hold less than 5% of the stock of a company are deemed to be a single 5% stockholder throughout the three-year testing period, and transfers between such shareholders are disregarded for purposes of determining whether an ownership change has occurred (the "public group rule"). Thus, so long as 50% or more of the stock is owned by less than 5% stockholders throughout the three-year testing period, there will be no change of control under I.R.C. § 382. Accordingly, the Debtors do not seek to impose the requested notice and hearing procedures on trading by stockholders holding less than 4.75% of Circuit City's stock; provided, however, that such stockholders do not have an intent to accumulate a 4.75% or greater block of stock or add or sell shares to or from such a block.

15. When an ownership change occurs, I.R.C. § 382 limits the amount of a corporation's income that may be offset by its "pre-change losses" to an annual amount equal to the value of the equity of the corporation prior to the ownership change multiplied by the long-term tax-exempt rate. See I.R.C. § 382(b). "Pre-change losses" would include (i) NOLs and (ii) any net unrealized built-in loss (as defined in I.R.C. § 382(h)(3)). This formulaic limitation under I.R.C. § 382 can severely restrict the ability to use "pre-change losses" because the value of the stock of a distressed company may be quite low. By way of illustration, if the Debtors were to undergo an ownership change today, they would be permitted to offset with pre-change losses no more than approximately \$2 million of their income in each post-change tax year, which amount is the current market capitalization of Circuit City (approximately \$42 million, as of November 7, 2008) multiplied by 4.94% (the approximate long-term tax exempt rate for November 2008). Taxable income in excess of this amount would generally be taxable to the debtors at a federal income tax rate of approximately 35%.

16. Based on the Debtors' current and projected financial condition, it is possible that a plan of reorganization will distribute a majority of the common stock of the reorganized Debtors to creditors of the Debtors in exchange for all or part of their claims. Accordingly, under any realistic plan scenario, the Debtors will likely experience an "ownership change" for purposes of I.R.C. § 382 because the percentage of stock that will be owned by creditors<sup>7</sup> will have increased by more than 50 points over the lowest percentage of the stock of Circuit City held by such persons during the three-year testing period.<sup>8</sup> I.R.C. § 382(g)(1). In such an event, as described more fully below, the Debtors may avail themselves of one of the special relief provisions applicable to an ownership change resulting from a confirmed chapter 11 plan. I.R.C. § 382(l)(5), (6).

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<sup>7</sup> As used herein, the term (i) "creditors" means "creditor" as defined in section 101(10) of the Bankruptcy Code, and (ii) "claims" means "claim" as defined in section 101(5) of the Bankruptcy Code.

<sup>8</sup> The fact that a substantial number of creditors receiving stock pursuant to the plan may own less than 5% of the Debtors' stock upon consummation of a plan of reorganization does not provide relief from I.R.C. § 382; instead the "public group rule" (described above) will aggregate the ownership interests of all such creditor-shareholders and treat them as a new 5% shareholder.

Pursuant to these provisions, the Debtors anticipate that they will be exempt from the limitation set forth in I.R.C. § 382 or, alternatively, that they will benefit from a favorable valuation rule that will cause the amount of their annual limitation under I.R.C. § 382(b) to reflect the expected increase in the value of the Debtors resulting from any surrender or cancellation of creditors' claims in exchange for stock pursuant to the plan. Id.

17. The problem facing the Debtors, and the reason for this Motion, is that (i) if too many equity holders transfer their equity interests prior to the effective date of a plan of reorganization, such transfers may trigger an ownership change that would not fall within the ambit of these special bankruptcy provisions because such an ownership change would not occur pursuant to a confirmed bankruptcy plan and (ii) the Debtors may not qualify for the special "in bankruptcy" rules of I.R.C. § 382(1)(5) if too many claimholders transfer their claims prior to the effective date of any plan of reorganization. The Debtors need the ability to monitor, and possibly object

to, changes in ownership of equity securities in, and the ability to monitor, and possibly require a sell-down of claims against, the Debtors to preserve flexibility in crafting a plan of reorganization that qualifies for relief under one of the special bankruptcy provisions and, thus, maximizes the Debtors' ability to reduce federal income taxes by offsetting their income earned after reorganization with Tax Attributes.

**C. Special Section 382 Bankruptcy Rules**

18. The limitations imposed by I.R.C. § 382 in the context of a change in ownership pursuant to a confirmed chapter 11 plan are significantly more relaxed than those applicable outside chapter 11.

19. A corporation that has not previously had an ownership change is not subject to the limitations imposed by I.R.C. § 382 with respect to an ownership change resulting from consummation of a chapter 11 plan, provided that under the plan, the debtor's pre-change shareholders (i.e., persons or entities who owned the debtor's stock immediately before the relevant ownership change) and/or Qualified Creditors emerge from the reorganization owning at least 50% of the total value

and voting power of the debtor's stock immediately after the ownership change (the "I.R.C. § 382(1)(5) safe harbor"). I.R.C. § 382(1)(5)(A).

20. Under I.R.C. § 382(1)(5)(E) and Treas. Reg. § 1.382-9, a creditor whose claim is exchanged for stock under a chapter 11 plan is a "Qualified Creditor" for I.R.C. § 382 purposes if such claim either (i) has been owned by such creditor for 18 or more months prior to the date of filing of the bankruptcy petition or (ii) arose in the ordinary course of the Debtors' business and was at all times beneficially owned by such creditor. Creditors may also be classified as "Qualified Creditors," despite not satisfying the continuous ownership requirements under either (i) or (ii) of the preceding sentence, if such creditors meet the criteria set forth in the de minimis rule described below.

21. Under Treas. Reg. § 1.382-9(d)(3) (the "de minimis rule"), the debtor may, for purposes of the I.R.C. § 382(1)(5) safe harbor, "treat indebtedness as always having been owned by the beneficial owner of the indebtedness immediately before the ownership change if the beneficial owner is not, immediately after the



ownership change, either a five percent shareholder or an entity through which a five percent shareholder owns an indirect ownership interest" in the corporation. Such a claimholder will always be regarded as a Qualifying Creditor under the I.R.C. § 382(l)(5) safe harbor unless the particular claim(s) that it holds both (a) did not arise in the ordinary course of the Debtor's business and (b) was not held by such creditor 18 months prior to the filing of the bankruptcy petition.

22. The requested relief has been narrowly tailored to impose the notice and sell-down requirements only on claimholders that own an amount of claims which could be expected to fall outside of the de minimis rule and, thus, could jeopardize the Debtors ability to satisfy the requirements of the I.R.C. § 382(l)(5) safe harbor.

23. Although there can be no assurance that the I.R.C. § 382(l)(5) safe harbor ultimately will be available to the Debtors, it is important that the Debtors preserve the ability to propose a plan of reorganization that would take advantage of that safe harbor. Because the determination of whether a creditor

is a Qualified Creditor depends on whether such creditor has held its claim until the effective date of the plan of reorganization, transfers of claims by creditors before such date pose a threat to the Debtors' ability to satisfy the requirements of the I.R.C. § 382(1)(5) safe harbor. Likewise, because transfers of stock by or into the hands of five percent shareholders before the effective date of the plan of reorganization could trigger an ownership change that would impose a severe annual limitation on the Debtors' use of their Tax Attributes, even if the Debtors later satisfied the requirements of I.R.C. § 382(1)(5) in connection with a second ownership change resulting from the plan of reorganization, such transfers also pose a threat to the value of their Tax Attributes. The requested relief will ensure that the Debtors have maximum flexibility to structure a plan of reorganization that meets the requirements of I.R.C. § 382(1)(5), and thus preserves their Tax Attributes to the fullest extent.

24. Even if it is ultimately determined that I.R.C. § 382(1)(5) is unavailable to the Debtors, it is in the best interests of the Debtors and their estates

to restrict equity trading which could result in an ownership change prior to consummation of a plan of reorganization for at least two additional reasons.

25. First, an ownership change must occur pursuant to consummation of the plan in order for the Debtors to qualify for the other I.R.C. § 382 bankruptcy relief provision - the favorable valuation rule of I.R.C. § 382(1)(6). Specifically, I.R.C. § 382(1)(6) provides that if a corporation undergoes an ownership change pursuant to a plan of reorganization in chapter 11 and I.R.C. § 382(1)(5) does not apply (either because the corporation elects out of that provision or because its requirements are not satisfied), then under I.R.C. § 382(1)(6), the appropriate value of the Debtors for purposes of calculating the I.R.C. § 382 limitation shall reflect the increase in value of the Debtors resulting from any surrender or cancellation of creditors' claims in the transaction. Thus, assuming the value of the Debtors increases as a result of the reorganization, I.R.C. § 382(1)(6) will provide for a higher annual limitation than would result under the general rules of I.R.C. § 382 and preserve the Debtors'

ability to use a greater portion of their Tax Attributes to offset any post-change income.

26. Second, preventing an ownership change prior to the effective date of a plan of reorganization will also benefit the estates by ensuring that the reorganized Debtors will have greater use of their Tax Attributes to offset any income arising on or prior to the effective date of the chapter 11 plan. Thus, in all circumstances, it is in the best interests of the Debtors and their estates to grant the requested relief so as to prevent an ownership change prior to consummation of a plan of reorganization.

**D. The Requested Relief Is Narrowly Tailored**

27. The requested relief does not bar all trading of claims and stock of the Debtors. At this early juncture, the Debtors seek to establish procedures enabling them only to monitor those types of stock trading and ownership of claims which pose a serious risk under the I.R.C. § 382 ownership change test, so as to preserve the Debtors' ability to seek substantive relief if it appears that a proposed trade of equity securities will jeopardize the use of their Tax

Attributes or a claimholder owns an amount of claims in excess of the amount necessary to satisfy the de minimis rule. The procedures requested by the Debtors in this Motion would permit most stock and claims trading to continue subject only to Bankruptcy Rules 3001(e) and 3002 and applicable securities, corporate, and other laws.

**E. The Requested Relief Is Necessary To Avoid Irreparable Harm To The Debtors**

28. Once a Tax Attribute is limited under I.R.C. § 382, its use is limited forever, and once a claim or equity interest is transferred, it cannot be undone. The relief sought herein is necessary to avoid an irrevocable loss of the Tax Attributes and the irreparable harm which would be caused by unrestricted trading in claims and equity securities of the Debtors and the Debtors' resulting inability to offset taxable income freely with their Tax Attributes.

29. Absent granting the relief requested herein, the Debtors could be irreparably harmed by the mere filing of this Motion. If the Debtors filed this Motion in accordance with the usual notice procedures

set forth in the Bankruptcy Rules, the Debtors believe it is likely that a flurry of trading in claims and stock of the Debtors could immediately follow. Parties holding such claims or stock might rush to transfer their claims or stock before the restrictions on such trading are imposed by this Court. Such trading would put the Tax Attributes in jeopardy, as described above, and would therefore be counterproductive to the Debtors' objectives in seeking this relief. Accordingly, the Debtors request that the procedures described herein be approved and that a hearing be allowed with respect to the prospective application of such procedures if any Creditors' Committee appointed in these Chapter 11 Cases raises a timely objection.

**F. Provisions of the Proposed Order**

30. Following entry of the Order, the Debtors propose to send a notice in substantially the form attached hereto as Exhibit C to the proposed Order (the "Notice of Order") to (a) the Office of the United States Trustee for the Eastern District of Virginia; (b) the Securities and Exchange Commission; (c) the Internal Revenue Service; (d) the United States Attorney's Office

for the Eastern District of Virginia; (e) counsel to the Prepetition Lenders; (f) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (g) any statutory Committee appointed under Section 1102 of the Bankruptcy Code; and (h) the transfer agents for any class of common stock of Circuit City ("Circuit City Stock"). Upon receipt of the Notice of Order, any transfer agent for any Circuit City Stock would be required to send such Notice of Order to all holders of such Circuit City Stock in excess of 4,000,000 shares registered with such transfer agent; provided, however, that, if any transfer agent provides the Debtors with the name and addresses of all holders of such Circuit City Stock, the Debtors would be required to deliver the Notice of Order to such holders. Any such registered holder would be required, in turn, to provide such Notice of Order to any holder for whose account such registered holder holds such Circuit City Stock in excess of 4,000,000 shares, and so on down the chain of ownership. Additionally, any person or entity or broker or agent acting on their behalf who (i) sells claims against the Debtors in the aggregate principal amount of

at least \$3,340,000 or (ii) sells 2,000,000 shares of Circuit City Stock (or an Option, as defined in the Order, with respect thereto) to another person or entity would be required to provide notification of the existence of this Order or its contents to such purchaser or any broker or agent acting on their behalf of such claims or Circuit City Stock, to the extent reasonably feasible. The Debtors shall also file a copy of the Order as an exhibit to a report on Form 8-K filed with the Securities and Exchange Commission.

Additionally, the Debtors will publish the Notice of Order in the *Richmond Times-Dispatch*, *The Wall Street Journal* and *The Financial Times* (U.S. edition).

31. The entry of the Order shall be final; provided, however, that (a) within ten days after the Creditors' Committee has been formed, the Creditors' Committee may object (an "Objection") to the prospective application of the Order from and after the date of such Objection, and (b) pending such hearing, the Order shall remain in full force and effect. If an Objection is timely filed by the Creditors' Committee, (a) a hearing will be held before this Court at the next regularly-



scheduled omnibus hearing in these cases, which will be at a date and time to be established by this Court and (b) further notice will be served on order of the Court; provided, however, that if an Objection is timely filed and such Objection is resolved prior to a hearing on such Objection in a manner that does not require a revision of the Order, then the Notice of Order will be sent as provided in paragraph 32 below.

32. The Debtors propose that if no Objection is timely filed and served, or if an Objection is timely filed and such Objection is resolved prior to hearing on such Objection in a manner that does not require a revision of the Order, the Debtors will send the Notice of Order to (i) the Office of the United States Trustee for the Eastern District of Virginia; (ii) the Securities and Exchange Commission; (iii) the Internal Revenue Service; (iv) the United States Attorney's Office for the Eastern District of Virginia; (v) counsel to the agent for Debtors' Prepetition Lenders; (vi) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (vii) any statutory committee appointed under section 1102 of the Bankruptcy

Code; (viii) the transfer agents for any Circuit City Stock; (ix) all parties who file notices of transfers of claims under Bankruptcy Rule 3001; and (x) all known creditors. Upon receipt of the Notice of Order, any transfer agent for any Circuit City Stock will be required to send such Notice of Order to all holders of such Circuit City Stock registered with such transfer agent; provided, however, that if any transfer agent provides the Debtors with the names and addresses of all holders of such Circuit City Stock, the Debtors would be required to deliver the Notice of Order to such holders. Any such registered holder must, in turn, provide such Notice of Order to any holder for whose account such registered holder holds such Circuit City Stock, and so on down the chain of ownership. Additionally, any person or entity or broker or agent acting on their behalf who (i) sells claims against the Debtors in the aggregate principal amount of at least \$3,340,000 or (ii) sells 2,000,000 shares of Circuit City Stock (or an Option with respect thereto) to another person or entity must provide a copy of the Notice of Order authorizing such procedures to such purchaser, or any broker or agent

acting on their behalf, of such claims or Circuit City Stock. The Debtors shall also file a copy of the Order as an exhibit to a report on Form 8-K filed with the Securities and Exchange Commission.

33. The foregoing notice procedures satisfy due process and the strictures of Bankruptcy Rule 9014 by providing the counterparties with a notice and an opportunity to object and attend a hearing. See, e.g., In re Colo. Mountain Cellars, Inc., 226 B.R. 244, 246 (D. Colo. 1998) (noting that hearing is not required to satisfy Bankruptcy Rule 9014). Furthermore, the proposed notice procedures protect the due process rights of the parties-in-interest without unnecessarily exposing the Debtors' estates to unwanted administrative expenses.

**G. NOLs Are Property Of A Debtor's Estate Entitled To Court Protection**

34. Courts have uniformly held that a debtor's NOLs constitute property of the estate under section 541 of the Bankruptcy Code and, as such, courts have the authority to implement certain protective measures to preserve the NOLs. The seminal case

articulating this rule is In re Prudential Lines, Inc., 107 B.R. 832 (Bankr. S.D.N.Y. 1989), aff'd, 119 B.R. 430 (S.D.N.Y. 1990), aff'd, 928 F.2d 565 (2d Cir. 1991), cert. denied 502 U.S. 821 (1991). In Prudential Lines, the Bankruptcy Court for the Southern District of New York enjoined a parent corporation from taking a worthless stock deduction with respect to its wholly-owned debtor subsidiary on the grounds that allowing the parent to take such a deduction would destroy its debtor-subsidiary's NOLs. In issuing the injunction, the court held that "debtor's potential ability to utilize NOLs is property of an estate," 107 B.R. at 838, and that "the taking of a worthless stock deduction is an exercise of control over a debtor's NOLs," 107 B.R. at 842, and thus was properly subject to the automatic stay of section 362 of the Bankruptcy Code. See also In re White Metal Rolling & Stamping Corp., 222 B.R. 417, 424 (Bankr. S.D.N.Y. 1998) ("it is beyond peradventure that NOL carrybacks and carryovers are property of the estate of the loss corporation that generated them"); In re Southeast Banking Corp., Case No. 91-14561 BKC PGH, 1994 WL 1893513, at \*3 (Bankr. S.D. Fla. July 21, 1994)

(debtors' interest in their NOLs "constitutes property of the estate within the scope of 11 U.S.C. Section 541(a)(1) and is entitled to the protection of the automatic stay"). Since the Debtors' NOLs are property of their estates, this Court has the authority under section 362 of the Bankruptcy Code to enforce the automatic stay by restricting the transfer of equity securities in, and require a sell-down of claims against, the Debtors that could jeopardize the existence of this valuable asset.

**H. Bankruptcy Courts Have Granted the Relief Requested in the Motion**

35. Courts have routinely restricted or enjoined transfers of claims or equity securities or issued other injunctive relief to protect a debtor against the possible loss of its NOL carryforwards. See, e.g., In re US Airways, Inc., Case No. 04-13819 (SSM) (Bankr. E.D. Va. Apr. 1, 2005) (approving notification procedures and restrictions on certain transfers of claims against and interests in debtors); In re Dana Corp., Case No. 06-10354 (BRL) (Bankr. S.D.N.Y. Aug. 9, 2006) (approving notification and sell-down procedures

similar to the procedures requested herein); In re Delta Air Lines, Inc., Case No. 05-17923 (PCB) (Bankr. S.D.N.Y. Dec. 19, 2005) (approving notification procedures and restrictions on certain transfers of claims against and interests in the debtors); In re Northwest Airlines Corp., Case No. 05-17930 (ALG) (Bankr. S.D.N.Y. Oct. 28, 2005) (approving notification procedures and restrictions on certain transfers of claims against and interests in the debtors); In re WHX Corp., Case No. 05-11444 (ALG) (Bankr. S.D.N.Y. March 31, 2005) (debtor provided 10 days to object to proposed transfers of claims or equity securities by substantial claimholders and shareholders); In re Calpine Corporation, Case No. 05 60200 (BRL) (Bankr. S.D.N.Y. Dec. 21, 2005) (approving notification procedures and restrictions on certain transfers of equity securities in the debtor); In re W.R. Grace & Co., Case No. 01-01139 (JKF) (Bankr. D. Del. Jan. 24, 2005) (approving notification procedures and restrictions on certain transfers of equity interests in the debtors).

36. For the reasons set forth above, the Debtors respectfully submit that the Order will play an

integral role in the Debtors' success upon emergence from these Chapter 11 Cases, and there is an immediate need to establish the notice and hearing provisions regarding trading in equity securities and the notice and sell down procedures regarding trading in claims of the Debtors. Accordingly, the Debtors respectfully request that the Court grant the relief requested herein.

**NOTICE**

37. Notice of this Motion will be given to: (i) the Office of the United States Trustee for the Eastern District of Virginia; (ii) the Securities and Exchange Commission; (iii) the Internal Revenue Service; (iv) counsel to the agent for Debtors' postpetition lenders; (v) counsel to the agent for the Debtors' prepetition lenders; and (vi) the Debtors' top fifty (50) largest unsecured creditors on a consolidated basis. The Debtors submit that, under the circumstances, no other or further notice of the Motion is required.

**WAIVER OF MEMORANDUM OF LAW**

38. Pursuant to Local Bankruptcy Rule 9013-1(G), and because there are no novel issues of law presented in the Motion and all applicable authority is

set forth in the Motion, the Debtors request that the requirement that all motions be accompanied by a separate memorandum of law be waived.

**NO PRIOR REQUEST**

39. No previous request for the relief sought herein has been made to this or any other Court.



**CONCLUSION**

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto, granting the relief requested in the Motion and such other and further relief as may be just and proper.

Dated: November 10, 2008  
Richmond, Virginia

SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
Gregg M. Galardi, Esq.  
Ian S. Fredericks, Esq.  
P.O. Box 636  
Wilmington, Delaware 19899-0636  
(302) 651-3000

- and -

SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
Chris L. Dickerson, Esq.  
333 West Wacker Drive  
Chicago, Illinois 60606  
(312) 407-0700

- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley  
Dion W. Hayes (VSB No. 34304)  
Douglas Foley (VSB No. 34364)  
One James Center  
901 E. Cary Street  
Richmond, Virginia 23219  
(804) 775-1000

Proposed Counsel for Debtors and  
Debtors in Possession

Gregg M. Galardi, Esq.  
 Ian S. Fredericks, Esq.  
 SKADDEN, ARPS, SLATE, MEAGHER &  
 FLOM, LLP  
 One Rodney Square  
 PO Box 636  
 Wilmington, Delaware 19899-0636  
 (302) 651-3000

Dion W. Hayes (VSB No. 34304)  
 Douglas M. Foley (VSB No. 34364)  
 MCGUIREWOODS LLP  
 One James Center  
 901 E. Cary Street  
 Richmond, Virginia 23219  
 (804) 775-1000

- and -

Chris L. Dickerson, Esq.  
 SKADDEN, ARPS, SLATE, MEAGHER &  
 FLOM, LLP  
 333 West Wacker Drive  
 Chicago, Illinois 60606  
 (312) 407-0700

Proposed Counsel to the Debtors  
 and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE EASTERN DISTRICT OF VIRGINIA  
 RICHMOND DIVISION

- - - - -	x	
	:	
In re:	:	Chapter 11
	:	
CIRCUIT CITY STORES, INC.,	:	Case No. 08 -_____ (____)
<u>et al.</u> ,	:	
	:	
Debtors.	:	Jointly Administered
- - - - -	x	

**ORDER UNDER 11 U.S.C. §§ 105, 362 AND 541 AND FED. R.  
 BANKR. P. 3001 AND 3002 ESTABLISHING NOTICE, HEARING,  
 AND SELL-DOWN PROCEDURES FOR TRADING IN EQUITY  
 SECURITIES AND CLAIMS AGAINST THE DEBTORS' ESTATES**

Upon the motion of the debtors (the "Debtors")<sup>1</sup>

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<sup>1</sup> The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City

(cont'd)

for an order under Bankruptcy Code 105 Sections 362 and 541 and Bankruptcy Rules 3001 and 3002 (i) establishing notification and hearing procedures for trading in equity securities and (ii) establishing the notice and sell-down procedures for trading in claims against the Debtors' estates; and the Court having reviewed the Motion<sup>2</sup> and the Besanko Declaration; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

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Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

**ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion is GRANTED.

2. Any purchase, sale, or other transfer of claims against, or equity securities in, the Debtors in violation of the procedures set forth herein (including the notice requirements set forth in Sections 3(a) and 4(a) and (c) below) shall be null and void ab initio as an act in violation of the automatic stay under U.S.C. §§ 362 and 105(a) of the Bankruptcy Code.

3. The following procedures shall apply to trading in equity securities of Circuit City Stores, Inc. ("Circuit City"):

(a) Any person or entity (as defined in Treasury Regulations Section 1.382-3(a) for purposes of this Section 3) who currently is or becomes a Substantial Shareholder (as defined in Paragraph (e) below) shall file with this Court, and serve on counsel to the Debtors, a notice of such status, in the form attached hereto as Exhibit A-1, on or before the later of (A) twenty (20) calendar days after the effective date of the notice of entry of this Order or (B) ten (10) calendar days after becoming a Substantial Shareholder.

(b) At least thirty (30) calendar days prior to effectuating any transfer of equity securities (including Options to acquire such securities, as defined below) that would result in an increase in the amount of Circuit City Stock beneficially owned by a Substantial Shareholder or would result in a person or

entity becoming a Substantial Shareholder, such Substantial Shareholder shall file with this Court, and serve on counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit A-2, of the intended transfer of equity securities.

(c) At least thirty (30) calendar days prior to effectuating any transfer of equity securities (including Options to acquire such securities) that would result in a decrease in the amount of Circuit City Stock beneficially owned by a Substantial Shareholder or would result in a person or entity ceasing to be a Substantial Shareholder, such Substantial Shareholder shall file with this Court, and serve on counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit A-3, of the intended transfer of equity securities (the notices required to be filed and served under Paragraph (b) and this Paragraph (c), each a "Notice of Proposed Transfer").

(d) The Debtors shall have thirty (30) calendar days after receipt of a Notice of Proposed Transfer to file with this Court and serve on such Substantial Shareholder an objection to any proposed transfer of equity securities described in the Notice of Proposed Transfer on the grounds that such transfer may adversely affect the Debtors' ability to utilize their Tax Attributes. If the Debtors file an objection, such transaction will not be effective unless approved by a final and nonappealable order of this Court. If the Debtors do not object within such 30-day period, such transaction may proceed solely as set forth in the Notice of Proposed Transfer. Further transactions within the scope of this Paragraph must be the subject of additional notices as set forth herein, with an additional 30-day waiting period.

(e) For purposes of this Order, (A) a "Substantial Shareholder" is any person or entity which beneficially owns at least 7,848,226 shares (representing approximately 4.75% of all issued and outstanding shares) of the common stock of ("Circuit City Stock"), and (B) "beneficial ownership" (or any variation thereof of Circuit City Stock and Options to

acquire Circuit City Stock) shall be determined in accordance with applicable rules under Section 382 of the I.R.C., Treasury Regulations promulgated thereunder and rulings issued by the Internal Revenue Service, and thus, to the extent provided therein, from time to time shall include, without limitation, (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), (ii) ownership by such holder's family members and persons acting in concert with such holder to make a coordinated acquisition of stock, and (iii) an Option to acquire Circuit City Stock. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable. For the avoidance of doubt, by operation of the definition of beneficial ownership in clause (B) of this Paragraph, an owner of an Option to acquire Circuit City Stock may be treated as the owner of such Circuit City Stock.

4. The following procedures shall apply to trading in claims against the Debtors:

(a) Notice of 382(1)(5) Plan and 382(1)(5) Disclosure Statement. The Debtors shall, upon filing a disclosure statement with respect to a 382(1)(5) Plan (a "382(1)(5) Disclosure Statement"), simultaneously file with the Court and further publish and serve in the manner specified in Paragraph (j) below a separate notice ("Disclosure Statement Notice") in substantially the form attached as Exhibit B-1. The Disclosure Statement Notice shall (i) state that a 382(1)(5) Plan has been filed with the Court, (ii) disclose the most current estimate of the Threshold Amount and (iii) set a record date, which shall be 5:00 p.m., Eastern Time, on the date set by the Court that is ten (10) business days prior to the date set for the hearing on the 382(1)(5) Disclosure Statement (the "Disclosure Statement Notice Record Date"). Each Beneficial Claimholder who holds

more than the Threshold Amount (each, a "Substantial Claimholder") as of the Disclosure Statement Notice Record Date is hereby ordered and directed to email and fax to counsel to the Debtors a report in the form attached hereto as Exhibit B-2 (the "Initial Holdings Report") identifying: (I) the nature and amount of Claims held by such Beneficial Claimholder as of the Disclosure Statement Notice Record Date (the "Initial Holdings"); and (II) the Protected Amount that is in excess of the Threshold Amount. The Initial Holdings Report shall be subject to the confidentiality provisions set forth in Paragraph (i) below and shall be served in accordance with the preceding sentence no later than three (3) business days prior to the first date set by the Court for the hearing to consider the 382(1)(5) Disclosure Statement to the email addresses and fax numbers identified on the attached Exhibit B-2. In the event that the hearing to consider the 382(1)(5) Disclosure Statement is adjourned or continued, Substantial Claimholders shall not be required to amend or update their Initial Holdings Reports unless, in the event of an adjournment or continuance, the Debtors establish a new Disclosure Statement Notice Record Date and provides notice thereof, in which case the process above will re-commence.

(b) 382(1)(5) Disclosure Statement. The 382(1)(5) Disclosure Statement shall contain information adequate to permit a party entitled to vote on a 382(1)(5) Plan to determine whether a 382(1)(5) Plan provides greater value than possible alternatives and shall include, without limitation, the following disclosures: (i) the net present value of the projected tax savings of the 382(1)(5) Plan as compared to a 382(1)(6) Plan based on the financial projections included in the 382(1)(5) Disclosure Statement; (ii) a description of the restrictions on trading with respect to the common stock and any other securities of the reorganized Debtors (the "Affected Securities") that will be required or imposed under the 382(1)(5) Plan after the Effective Date to preserve such tax savings; (iii) the projected value of the Affected Securities in the aggregate; and (iv) the projected tax savings of the

382(1)(5) Plan as a percentage of the aggregate value of the Affected Securities. In addition, the Debtors shall promptly (and in any event before the end of the hearing on the 382(1)(5) Disclosure Statement) disclose on a separate filing with the SEC on Form 8-K (i) the aggregate amount of Initial Holdings (the "Total Initial Holdings") and (ii) the estimated maximum amount and percentage of the Total Initial Holdings in each class that may be required to be sold down as provided below. Such disclosures shall be included in the final 382(1)(5) Disclosure Statement. The foregoing does not limit in any way the right of any party in interest to object to the adequacy of the information in the 382(1)(5) Disclosure Statement.

(c) Notice of Claimholder Acceptance of 382(1)(5) Plan. The Debtor shall file with the Court and further publish and serve in the manner specified in Paragraph (j) below, not less than ten (10) days prior to the commencement of the Confirmation Hearing, a notice (the "Pre-Confirmation Notice") substantially in the form attached hereto as Exhibit B-3, setting forth: (i) a record date, which shall be 5:00 p.m., Eastern Time, on a date that is ten (10) days prior to the first date set by the Court for the Confirmation Hearing (the "Pre-Confirmation Notice Record Date"); and (ii) identifying the most current estimate of the Threshold Amount (determined as of the Pre-Confirmation Notice Record Date). Each Beneficial Claimholder who is a Substantial Claimholder (as determined by the Threshold Amount identified in the Pre-Confirmation Notice) as of the Pre-Confirmation Notice Record Date is hereby ordered and directed to deliver, via e-mail and fax, a report in the form attached hereto as Exhibit B-4 (the "Final Holdings Report") identifying the nature and amount of claims held by such Beneficial Claimholder as of the Pre-Confirmation Notice Record Date (the "Final Holdings"). The Final Holdings Report shall be subject to the confidentiality provisions set forth in Paragraph (i) below and shall be served on counsel to the Debtors no later than the date that is three (3) business days prior to the first date set by the Court for the Confirmation Hearing to the e-mail addresses and fax



numbers identified on the attached Exhibit B-2. For any Substantial Claimholder who did not serve an Initial Holdings Report, the Final Holdings Report shall also contain such Substantial Claimholder's Protected Amount that is in excess of the Threshold Amount. In the event that the Confirmation Hearing is adjourned or continued, Substantial Claimholders shall not be required to amend or update their Final Holdings Reports unless, in the event of an adjournment or continuance, the Debtors establish a new Pre-Confirmation Notice Record Date and provides notice thereof, in which case the process above will re-commence.

(d) Sell-Down Notice. If the Court confirms the 382(1)(5) Plan, the Debtors shall serve a notice substantially in the form attached hereto as Exhibit B-5 (the "Sell-Down Notice") by overnight delivery service within the United States upon each Substantial Claimholder (as of the Pre-Confirmation Notice Record Date) within five (5) business days after the entry of the order confirming the 382(1)(5) Plan. The Sell-Down Notice shall (i) state that the 382(1)(5) Plan has been confirmed; (ii) contain the results of the calculations described in Paragraph (f)(i) below, including the calculation of the Maximum Amount and the information used to perform all such calculations to the extent that the Debtors are not required by this Order or other confidentiality restrictions to keep such information confidential; and (iii) provide notice that, pursuant to this Order, each Substantial Claimholder is ordered and directed to comply with the Sell-Down Procedures (set forth in Paragraph (f) below) before the Effective Date.

(e) Effective Date. The Effective Date of any 382(1)(5) Plan shall not be earlier than thirty (30) calendar days after the Confirmation Date.

(f) Sell-Down Procedures. If and only to the extent that a 382(1)(5) Plan is confirmed by this Court then, to the extent necessary to effectuate the 382(1)(5) Plan, each Beneficial Claimholder who is, as of the Pre-Confirmation Notice Record Date, a Substantial Claimholder (other than a Permitted

Substantial Claimholder whose Claims shall not be required to be sold as part of the Sell-Down pursuant to Paragraph (f)(ii) below), is hereby ordered and directed to comply with the following sell-down procedures (the "Sell-Down Procedures"):

(i) The Maximum Amount. The Debtors shall calculate the maximum amount of claims that may be held, as of the Effective Date of the 382(1)(5) Plan, by a Substantial Claimholder that was a Substantial Claimholder as of the Pre-Confirmation Notice Record Date (the "Maximum Amount") as follows:

(1) Based upon the information provided by the Substantial Claimholders in the Final Holdings Reports, the Debtors shall calculate the total amount of claims that all Substantial Claimholders must sell to effectuate the 382(1)(5) Plan assuming that all Incremental Holdings will be sold prior to any Sell-Down of claims held by the Substantial Claimholders prior to the Disclosure Statement Notice Record Date and taking into account in its determination the portion of claims held by Substantial Claimholders that the Debtors reasonably conclude (based on evidence furnished by the Substantial Claimholders) have not existed since a date that was 18 months before the Petition Date and that are not "ordinary course" claims, within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv) (the "Sell-Down Amount").

(2) If the Sell-Down Amount is less than or equal to the Total Incremental Holdings, the Debtors shall calculate the amount of each Substantial Claimholder's *pro rata* share of the Sell-Down Amount (*i.e.*, the Sell-Down Amount multiplied by a fraction, the numerator of which is the Substantial Claimholder's Incremental Holdings and the

denominator of which is the Total Incremental Holdings);

(3) If the Sell-Down Amount exceeds Total Incremental Holdings, the Debtors shall calculate for each Substantial Claimholder the amount of such Substantial Claimholder's *pro rata* share of such excess (*i.e.*, the total amount of such excess multiplied by a fraction, the numerator of which is such Substantial Claimholder's Initial Holdings minus the Threshold Amount and the denominator of which is the Total Initial Holdings in excess of the Threshold Amount of all Substantial Claimholders) and add to that the amount of such Substantial Claimholder's Incremental Holdings; and

(4) For each Substantial Claimholder, the Debtors shall subtract from the total claims held by such Substantial Claimholder (as reported in the Final Holdings Report) such Substantial Claimholder's share of the Sell-Down Amount calculated in accordance with clauses (ii) or (iii) above, as applicable. The difference shall be the Maximum Amount.

(ii) Sell-Down. Prior to the Effective Date, each Substantial Claimholder shall sell an amount of claims equal to its share of the Sell-Down Amount or such other amount necessary so that no Substantial Claimholder shall, as of the Effective Date, hold claims in excess of the Maximum Amount for such claimholder (the "Sell-Down"); provided, however, that notwithstanding anything to the contrary in this Order, no Beneficial Claimholder shall be required to sell any claims if such sale would result in such Beneficial Claimholder having Beneficial Ownership of an aggregate amount of Claims that is less than such Beneficial Claimholder's Protected Amount. Each

Substantial Claimholder shall sell or otherwise transfer its claims subject to the Sell-Down to unrelated Entities; provided further that the Substantial Claimholder shall not have a reasonable basis to believe that such Entity would own, immediately after the contemplated consummation of such transfer, an amount of claims in excess of the Maximum Amount for such Claimholder.

(iii) Objections to Sell-Down Notices. A Substantial Claimholder who has complied with the notice procedures contained in this Section 4 may, no later than ten (10) calendar days from service of the Sell-Down Notice, object to the manner in which the Maximum Amount or the Sell-Down Amount specified in a Sell-Down Notice were calculated or on the grounds that such notice contained a mathematical error that would result in requiring the Substantial Claimholder to reduce its ownership below the Maximum Amount or the Protected Amount for such Substantial Claimholder. In connection with any such objection, the Substantial Claimholder shall disclose its holdings to counsel to the Debtors as of the time of the filing of the objection and as of the time of any hearing on such objection. The Debtors may serve a new Sell-Down Notice by overnight delivery service within the United States correcting such errors; any Substantial Claimholder required to sell additional claims as a result of such correction shall have twenty (20) calendar days from service of any new Sell-Down Notice to effect the additional Sell-Down.

(iv) Notice of Compliance. A Substantial Claimholder subject to the Sell-Down shall, before the Effective Date and as a condition to receiving Affected Securities, deliver to counsel to the Debtors, a written

statement substantially in the form of Exhibit B-6 hereto that such Substantial Claimholder has complied with the terms and conditions set forth in Paragraph (f)(ii) and that such Substantial Claimholder will not hold claims, as of the Effective Date, in an amount in excess of the greater of the Maximum Amount or the Protected Amount (if any) for such Substantial Claimholder (the "Notice of Compliance"). Any Substantial Claimholder who fails to comply with this provision shall not receive Affected Securities with respect to any claims in excess of the greater of such claimholder's Protected Amount or the then current Threshold Amount.

(v) Applicable Authority. For the avoidance of doubt, Section 382 of the I.R.C., the Treasury Regulations promulgated thereunder and all relevant Internal Revenue Service and judicial authority shall apply in determining whether the claims of several persons and/or Entities must be aggregated when testing for Substantial Claimholder status. For these purposes and except as specifically provided with respect to claims ownership in the Treasury Regulations, the rules and authority identified in the preceding sentence shall be treated as if they applied to claims in the same manner as they apply to stock.

(vi) Subsequent Substantial Claimholders. To the extent that any Entity becomes a Substantial Claimholder after the date in which Final Holdings Reports are due, the Court shall retain jurisdiction so that the Debtors may seek equitable relief similar to the relief described in this Order in order to protect the Debtors' ability to apply Section 382(1)(5) of the I.R.C.

(g) Claimholder Participation. To permit reliance by the Debtors on Treasury Regulation Section

1.382-9(d)(3), any Beneficial Claimholder that participates in formulating any chapter 11 plan of reorganization of or on behalf of the Debtors (which shall include, without limitation, making any suggestions or proposals to the Debtors or their advisors with regard to such a plan), shall not, and shall not be asked to, disclose (or otherwise make evident unless compelled to do so by an order of a court of competent jurisdiction or some other applicable legal requirement) to the Debtors that any claims in which such Beneficial Claimholder has a beneficial ownership are Newly Traded Claims (the "Participation Restriction"). For this purpose, the Debtors acknowledge and agree that the following activities shall not, where in pursuing such activities the relevant Beneficial Claimholder does not disclose (or otherwise make evident) to the Debtors that such Beneficial Claimholder has beneficial ownership of Newly Traded Claims, constitute a violation of the Participation Restriction: (a) filing an objection to a proposed disclosure statement or to confirmation of a proposed plan of reorganization; (b) negotiating the terms of, or voting to accept or reject, a proposed plan of reorganization; (c) reviewing or commenting on a proposed business plan; (d) membership on the Creditors' Committee or other official or *ad hoc* committee; (e) providing information other than with respect to its claims to the Debtors on a confidential basis; or (f) taking any action required by this Order. Any claimholder found by the Court to have violated the Participation Restriction, and who, as a result, would prevent the Debtors from implementing a 382(l)(5) Plan, shall be required to dispose of Newly Traded Claims of which such Entity has Beneficial Ownership in the manner specified in Paragraph (f)(ii) above and shall be subject to the Forfeiture Remedy described in Paragraph (h) below.

(h) Sanctions for Noncompliance. If any Substantial Claimholder fails to comply with the Sell-Down applicable to it, such Substantial Claimholder shall not be entitled to receive Beneficial Ownership of any Affected Securities in connection with the implementation of the 382(l)(5) Plan with respect to any

claims required to be sold pursuant to a Sell-Down Notice. Any Substantial Claimholder that violates this Order shall be required to forfeit the Affected Securities (the "Forfeiture Remedy"). The Debtors may seek to enforce the Forfeiture Remedy, on notice to the Entity upon whom such sanctions are sought to be imposed, on an expedited basis. The Debtors also reserve the right to seek from this Court, on an expedited basis, other sanctions or damages for a willful violation of this Order, on notice to the Entity upon whom such sanctions are sought to be imposed, including, but not limited to damages for loss of any tax benefits caused by such violation and any injunction or other relief necessary or appropriate to remedy such violation. Any distribution of Affected Securities pursuant to the implementation of the 382(l)(5) Plan that is precluded by an order enforcing the Forfeiture Remedy (the "Forfeited Equity") shall be void *ab initio*. Any Entity that receives Forfeited Equity shall, immediately upon becoming aware of such fact, return the Forfeited Equity to the reorganized Debtors or, if all of the shares properly issued to such Entity and all or any portion of such Forfeited Equity have been sold prior to the time such Entity becomes aware of such fact, such Entity shall return to the reorganized Debtors (a) any Forfeited Equity still held by such Entity and (b) the proceeds attributable to the sale of Forfeited Equity. Any Entity that receives Forfeited Equity and fails to comply with the preceding sentence shall be subject to such additional sanctions as the Court may determine. The reorganized Debtors shall distribute any Forfeited Equity in accordance with the 382(l)(5) Plan.

(i) Confidentiality. The Initial Holdings Report, the Final Holdings Report, the Sell-Down Notices and the Notice of Compliance, and the information contained therein, shall be treated as confidential information and shall be available only to the Debtors and counsel and financial or tax advisors to the Debtors. Each recipient of any Initial Holdings Report, Final Holdings Report, Sell-Down Notice and the Notice of Compliance (or similar notices provided under the Order) shall keep the information contained therein

confidential and shall not disclose such information to any Entity (including, without limitation, any member of the Creditors' Committee) unless required to produce it in a legal proceeding or subject to further Court order.

(j) Notice. Any notices required to be published under Section 4 of this Order shall be published in the *Richmond Times-Dispatch*, *The Wall Street Journal* and the *Financial Times*. All notices required to be served shall be served on the following parties via electronic mail if an e-mail address is known, or by overnight mail if an e-mail address is not known: (a) the Office of the United States Trustee for the Eastern District of Virginia (which shall be sent by overnight mail only); (b) the Securities and Exchange Commission; (c) the Internal Revenue Service; (d) the United States Attorney's Office for the Eastern District of Virginia; (e) counsel to the Prepetition Lenders; (f) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (g) any statutory committee appointed under Section 1102 of the Bankruptcy Code; and (h) the transfer agents for any Circuit City Stock.

(k) The requirements set forth in this Order are in addition to the requirements of Bankruptcy Rule 3001(e) and applicable securities, corporate and other laws, and do not excuse compliance therewith.

(l) The Court shall retain jurisdiction to interpret, enforce, aid in the enforcement of and resolve any disputes or matters related to any of the provisions of this Order.

(m) For purposes of Section 4 of this Order, the following definitions shall apply:

(i) "382(1)(5) Plan" means a plan of reorganization for the Debtors under chapter 11 of the Bankruptcy Code that provides for or contemplates the use of net operating loss carryforwards and other tax attributes under Section 382(1)(5) of the I.R.C. and that restricts transfers of Beneficial Ownership of Affected Securities



for not less than two years after the reorganization in order to avoid an "ownership change," as such term is defined in the I.R.C. and regulations promulgated thereunder.

(ii) "382(1)(6) Plan" means a plan of reorganization for the Debtors under chapter 11 of the Bankruptcy Code that provides for or contemplates the use of net operating loss carryforwards and other tax attributes under, and subject to the limitations of, Section 382(1)(6) of the I.R.C.

(iii) "Applicable Percentage" means, if only one class of Affected Securities is to be issued pursuant to the terms of a 382(1)(5) Plan, 4.75% of the number of such shares that the Debtors reasonably estimate will be issued at the effective date of such 382(1)(5) Plan. If more than one class of Affected Securities is to be distributed pursuant to the terms of a 382(1)(5) Plan, the Applicable Percentage shall be determined by the Debtors in their reasonable judgment in a manner consistent with the estimated range of values for the equity to be distributed reflected in the valuation analysis set forth in the 382(1)(5) Disclosure Statement, and shall be expressed in a manner that makes clear how many shares of common equity would constitute the Applicable Percentage.

(iv) "Beneficial Ownership" of claims shall be determined in accordance with applicable rules under Section 382 of the I.R.C. and regulations promulgated thereunder, as if such rules applied to claims in the same manner as they apply to equity except to the extent inconsistent with rules and regulations specifically applicable to the ownership of claims.

(v) "Beneficial Claimholders" means those Entities that have Beneficial Ownership of claims.

(vi) "claim" shall have the meaning ascribed to that term in Section 101(5) of the Bankruptcy Code and includes, without limitation, a lessor's right to any current or future payment under or arising out of any lease with respect to which any Debtor is a lessee.

(vii) "Confirmation Date" means the date on which the Court enters an order confirming a 382(1)(5) Plan.

(viii) "Confirmation Hearing" means a hearing held before this Court on the confirmation of the 382(1)(5) Plan pursuant to Section 1129 of the Bankruptcy Code.

(ix) "382(1)(5) Disclosure Statement" means a disclosure statement filed with the Court relating to a 382(1)(5) Plan.

(x) "Effective Date" means the date on which the 382(1)(5) Plan becomes effective, but in no event less than thirty (30) calendar days from the Confirmation Date.

(xi) "Entity" means a person or entity for purposes of the rules under Section 382 of the I.R.C.

(xii) "Incremental Holdings" means the amount, if any, of Claims identified in each Substantial Claimholders' Final Holdings Report in excess of the greater of (i) the amount contained in each respective Substantial Claimholder's Initial Holdings Report and (ii) the Threshold Amount as of the Disclosure Statement Notice Record Date.

(xiii) "Newly Traded Claims" means claims (i) with respect to which an Entity acquired beneficial ownership after the date that was 18 months before the Petition Date; and (b) that are not "ordinary course" claims, within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv), of which the same Entity has always had beneficial ownership.

(xiv) "Permitted Substantial Claimholder" means a Substantial Claimholder whom the Debtors reasonably conclude acquired its claim in the ordinary course of the Debtors' trade or business (within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv)) and has at all times since the creation of such claim held the Beneficial Ownership in that claim.

(xv) "Petition Date" means November 10, 2008.

(xvi) "Protected Amount" means the amount of claims of which a Beneficial Claimholder had Beneficial Ownership on the Petition Date, increased by the amount of claims of which such Beneficial Claimholder acquires Beneficial Ownership pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date minus the amount of claims that such Beneficial Claimholder sells pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date.

(xvii) "Substantial Claimholder" means a Beneficial Claimholder who holds more than the Threshold Amount as of the applicable record date and time, as described in Paragraphs 4(a) and 4(c) above.

(xviii) "Threshold Amount" means the amount of claims that are projected by the

Debtors to entitle the Beneficial Claimholder thereof to become the Beneficial Claimholder of the Applicable Percentage of Affected Securities.

(xix) "Total Incremental Holdings" means the aggregate amount of all of each Substantial Claimholders' Incremental Holdings.

5. Any notice required by the Order to be served by Substantial Claimholders, if effected prior to the filing of a proof of claim by a Substantial Claimholder, will not limit the right of a creditor to assert any and all claims, whether or not such claims are in addition to or differ from those listed on the notice, in a proof of claim filed in accordance with any future orders of this Court.

6. The Debtors may waive, in writing and in their sole and absolute discretion, any and all restrictions, stays, and notification procedures contained in this Order.

7. The Debtors shall serve the Notice of Order setting forth the procedures authorized herein substantially in the form annexed hereto as Exhibit C on (a) the Office of the United States Trustee for

the Eastern District of Virginia; (b) the Securities and Exchange Commission; (c) the Internal Revenue Service; (d) the United States Attorney's Office for the Eastern District of Virginia; (e) counsel to the Prepetition Lenders; (f) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (g) any statutory committee appointed under Section 1102 of the Bankruptcy Code; and (h) the transfer agents for any Circuit City Stock. Notice served pursuant to the preceding sentence shall be via first class mail, postage prepaid. The Debtors shall also file a copy of this Order as an exhibit to a report on Form 8-K filed with the Securities and Exchange Commission. Additionally, the Debtors shall publish the Notice of Order in *The Wall Street Journal* and *The Financial Times* (U.S. edition). No further notice of entry of this Order need be served by the Debtors.

8. Any transfer agent(s) for any Circuit City Stock having notice hereof shall provide such Notice of Order to all holders of such Circuit City Stock in excess of 4,000,000 shares registered with such transfer

provided that, if any transfer agent provides the Debtors with the name and addresses of all holders of such Circuit City Stock, the Debtors shall deliver the Notice of Order to such holders. Any such registered holder must, in turn, provide such Notice of Order to any holder for whose account such registered holder holds such Circuit City Stock in excess of 4,000,000 shares, and so on down the chain of ownership.

9. Any person or entity or broker or agent acting on their behalf which sells claims against the Debtors in the aggregate principal amount of at least \$3,340,000 to another person or entity shall provide notification of the existence of this Order or its contents to such purchaser of such claims or to any broker or agent acting on such purchaser's behalf, to the extent reasonably feasible. Any person or entity or broker or agent acting on such person or entity's behalf who sells an aggregate amount of at least 2,000,000 shares of Circuit City Stock (or an Option with respect thereto) to another person or entity shall provide a copy of the Notice of Order to such purchaser of such

Circuit City Stock or to any broker or agent acting on such purchaser's behalf.

10. The entry of this Order shall be final; provided, however, that (a) within ten (10) days after the Creditors' Committee has been formed, the Creditors' Committee may object (an "Objection") to the prospective application of this Order from and after the date of such Objection, and (b) pending such hearing, this Order shall remain in full force and effect. If an Objection is timely filed by the Creditors' Committee, (a) a hearing will be held before this Court at the next regularly scheduled omnibus hearing in the Chapter 11 Cases, which will be at a date and time to be established by this Court and (b) further notice will be served on order of the Court; provided, however, that if an Objection is timely filed and such Objection is resolved prior to a hearing on such Objection in a manner that does not require a revision of the Order, then the Notice of Order shall be sent as provided in Paragraph 11 below.

11. If no Objection is timely filed and served, or if an Objection is timely filed and such Objection is resolved prior to a hearing on such Objection in a manner that does not require a revision of the Order, the Debtors shall send the Notice of Order to (a) the Office of the United States Trustee for the Eastern District of Virginia; (b) the Securities and Exchange Commission; (c) the Internal Revenue Service; (d) the United States Attorney's Office for the Eastern District of Virginia; (e) counsel to the agent for the Prepetition Lenders; (f) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (g) any statutory committee appointed under Section 1102 of the Bankruptcy Code; (h) the transfer agents for any Circuit City Stock; and (i) all parties who file notices of transfers of claims under Bankruptcy Rule 3001; and (1) all known creditors. Upon receipt of the Notice of Order, any transfer agent for any Circuit City Stock shall send such Notice of Order to all holders of such Circuit City Stock registered with such transfer agent; provided, however, that if any transfer agent provides the Debtors with the name and addresses of all holders



of such Circuit City Stock, the Debtors shall deliver the Notice of Order to such holders. Any such registered holder shall, in turn, provide such Notice of Order to any holder for whose account such registered holder holds such Circuit City Stock, and so on down the chain of ownership. Any person or entity or broker or agent acting on their behalf which sells claims against the Debtors in the aggregate principal amount of at least \$3,340,000 to another person or entity shall provide notification of the existence of this Order or its contents to such purchaser of such claims or to any broker or agent acting on such purchaser's behalf, to the extent reasonably feasible. Additionally, any person or entity or broker or agent acting on their behalf who sells 2,000,000 shares of Circuit City Stock (or an Option with respect thereto) to another person or entity must provide a copy of the Notice of Order authorizing such procedures to such purchaser, or any broker or agent acting on their behalf, of such claims or Circuit City Stock. The Debtors shall also file a copy of the Order as an exhibit to a report on Form 8-K filed with the Securities and Exchange Commission.

12. The requirements set forth in this Order are in addition to the requirements of Rule 3001(e) of the Federal Rules of Bankruptcy Procedure and applicable securities, corporate and other laws, and do not excuse compliance therewith.

13. The requirement under Rule 9013-1(G) to file a memorandum of law in connection with the Motion is hereby waived.

14. This Court retains jurisdiction to hear and determine all matters arising from or related to the implementation or interpretation of this Order.

Dated: Richmond, Virginia  
November 10, 2008

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UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

Gregg M. Galardi, Esq.  
Ian S. Fredericks, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP  
One Rodney Square  
PO Box 636  
Wilmington, Delaware 19899-0636  
(302) 651-3000

- and -

Chris L. Dickerson, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP  
333 West Wacker Drive  
Chicago, Illinois 60606  
(312) 407-0700

- and -

/s/ Douglas M. Foley  
Dion W. Hayes (VSB No. 34304)  
Douglas M. Foley (VSB No. 34364)  
MCGUIREWOODS LLP  
One James Center  
901 E. Cary Street  
Richmond, Virginia 23219  
(804) 775-1000

Proposed Counsel to the Debtors  
and Debtors in Possession

**CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)**

I hereby certify that notice of the Debtors' intent to seek entry of the foregoing proposed order was provided to the parties identified in the Motion and copy of this proposed order was provided to the Office of the United States Trustee for the Eastern District of Virginia prior to submission to this Court.

/s/ Douglas M. Foley

**Exhibit A-1**

(Notice of Status as Substantial Shareholder)

EXHIBIT A-1

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF STATUS AS A SUBSTANTIAL SHAREHOLDER<sup>1</sup>**

PLEASE TAKE NOTICE that [Name of Shareholder]  
is/has become a Substantial Shareholder with respect to  
Circuit City Stock (as defined herein and in the Order) of  
Circuit City Stores, Inc., a debtor and debtor-in-

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<sup>1</sup> For purposes of this Order, (A) a "Substantial Shareholder" is any person or entity which beneficially owns at least 7,848,226 shares (representing approximately 4.75% of all issued and outstanding shares) of the common stock of ("Circuit City Stock"), and (B) "beneficial ownership" (or any variation thereof of Circuit City Stock and Options to acquire Circuit City Stock) shall be determined in accordance with applicable rules under Section 382 of the I.R.C., Treasury Regulations promulgated thereunder and rulings issued by the Internal Revenue Service, and thus, to the extent provided therein, from time to time shall include, without limitation, (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), (ii) ownership by such holder's family members and persons acting in concert with such holder to make a coordinated acquisition of stock, and (iii) an Option to acquire Circuit City Stock. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable. For the avoidance of doubt, by operation of the definition of beneficial ownership in clause (B) of this Paragraph, an owner of an Option to acquire Circuit City Stock may be treated as the owner of such Circuit City Stock.

possession in Case No. [\_\_\_\_] pending in the United States Bankruptcy Court for the Eastern District of Virginia.

PLEASE TAKE FURTHER NOTICE that, as of [Date], [Name of Shareholder] beneficially owns [\_\_\_\_\_] shares of the Circuit City Stock. The following table sets forth the date(s) on which [Name of Shareholder] acquired or otherwise became the beneficial owner of such Circuit City Stock:

Number Of Shares	Date Acquired

(Attach additional page if necessary)

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification or social security number of [Name of Shareholder] is [\_\_\_\_\_].

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [Name of Shareholder] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments which purport to be part of this Notice are true, correct, and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_\_\_\_]), this Notice is being (a) filed with the Office of the United States Trustee for the Eastern District of Virginia, 701 East Broad Street, Suite 4304, Richmond, Virginia, (Attn: Robert B. Van Arsdale) and (b) served upon counsel to the Debtors, Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, PO Box 636, Wilmington, DE 19899 (Attn: Gregg Galardi).

Respectfully Submitted,

\_\_\_\_\_  
(Name of Shareholder)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A-2**

(Notice of Intent to Acquire Equity Interest)



EXHIBIT A-2

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF INTENT TO PURCHASE, ACQUIRE, OR OTHERWISE  
ACCUMULATE AN EQUITY INTEREST**

PLEASE TAKE NOTICE THAT [Name of Prospective Acquirer] hereby provides notice of its intention to purchase, acquire, or otherwise accumulate one or more shares of Circuit City Stock (as defined herein and in the Order) of Circuit City Stores, Inc. or an Option with respect thereto (as defined herein and in the Order) (the "Proposed Transfer").

PLEASE TAKE FURTHER NOTICE THAT, if applicable, on [Prior Date(s)], [Name of Prospective Acquirer] filed a Notice of Status as a Substantial Shareholder<sup>1</sup> with the

<sup>1</sup> For purposes of this Order, (A) a "Substantial Shareholder" is any person or entity which beneficially owns at least 7,848,226 shares (representing approximately 4.75% of all issued and outstanding shares) of the common stock of ("Circuit City Stock"), and (B) "beneficial ownership" (or any variation thereof of Circuit City Stock and Options to acquire Circuit City Stock) shall be determined in accordance with applicable rules under Section 382 of the I.R.C., Treasury Regulations promulgated thereunder and rulings issued by the Internal Revenue Service, and thus, to the extent provided therein, from time to time shall include, without limitation, (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), (ii) ownership by such holder's family members and persons acting in concert with such holder to make a coordinated acquisition of stock, and (iii) an Option to acquire Circuit City Stock. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of

(cont'd)

United States Bankruptcy Court for the Eastern District of Virginia (the "Court") and served copies thereof on Debtors' counsel.

PLEASE TAKE FURTHER NOTICE THAT [Name of Prospective Acquirer] currently beneficially owns [\_\_\_\_\_] shares of Circuit City Stock.

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Proposed Transfer, [Name of Prospective Acquirer] proposes to purchase, acquire, or otherwise accumulate [\_\_\_\_\_] shares of Circuit City Stock or an Option with respect to [\_\_\_\_\_] shares of Circuit City Stock. If the Proposed Transfer is permitted to occur, [Name of Prospective Acquirer] will beneficially own [\_\_\_\_\_] shares of Circuit City Stock after the transfer (including any Options with respect to any Common Stock).

PLEASE TAKE FURTHER NOTICE THAT the last four digits of the taxpayer identification or social security number of [Name of Prospective Acquirer] is [\_\_\_\_\_].

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [Name of Prospective Acquirer] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments which purport to be part of this Notice are true, correct, and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_\_\_\_]), this Notice is being (a) filed with the Office of the United States Trustee for the Eastern District of Virginia, 701 East Broad Street, Suite 4304, Richmond, Virginia,

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forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable. For the avoidance of doubt, by operation of the definition of beneficial ownership in clause (B) of this Paragraph, an owner of an Option to acquire Circuit City Stock may be treated as the owner of such Circuit City Stock.

(Attn: Robert B. Van Arsdale), and (b) served upon counsel to the Debtors, Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, PO Box 636, Wilmington, DE 19899 (Attn: Gregg Galardi).

PLEASE TAKE FURTHER NOTICE that the Debtors have 30 calendar days after receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by a final and nonappealable order of the Court. If the Debtors do not object within such 30-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in the Notice.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by [Name of Prospective Acquirer] that may result in [Name of Prospective Acquirer] purchasing, acquiring or otherwise accumulating additional shares of Circuit City Stock (or an Option with respect thereto) will each require an additional notice filed with the Court to be served in the same manner as this Notice.

Respectfully Submitted,

\_\_\_\_\_  
(Name of Shareholder)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A-3**

(Notice of Intent to Transfer Equity Interest)

EXHIBIT A-3

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF INTENT TO SELL, TRADE OR OTHERWISE  
TRANSFER AN EQUITY INTEREST**

PLEASE TAKE NOTICE THAT [Name of Prospective Seller] hereby provides notice of its intention to sell, trade, or otherwise transfer one or more shares of Circuit City Stock (as defined herein and in the Order) of Circuit City Stores, Inc. or an Option with respect thereto (as defined herein and in the Order) (the "Proposed Transfer").

PLEASE TAKE FURTHER NOTICE THAT, if applicable, on [Prior Date(s)], [Name of Prospective Seller] filed a Notice of Status as a Substantial Shareholder<sup>1</sup> with the United States

<sup>1</sup> For purposes of this Order, (A) a "Substantial Shareholder" is any person or entity which beneficially owns at least 7,848,226 shares (representing approximately 4.75% of all issued and outstanding shares) of the common stock of ("Circuit City Stock"), and (B) "beneficial ownership" (or any variation thereof of Circuit City Stock and Options to acquire Circuit City Stock) shall be determined in accordance with applicable rules under Section 382 of the I.R.C., Treasury Regulations promulgated thereunder and rulings issued by the Internal Revenue Service, and thus, to the extent provided therein, from time to time shall include, without limitation, (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), (ii) ownership by such holder's family members and persons acting in concert with such holder to make a coordinated acquisition of stock, and (iii) an Option to acquire Circuit City Stock. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable. For the avoidance of doubt, by operation of the definition of beneficial ownership in clause (B) of this Paragraph, an

(cont'd)

Bankruptcy Court for the Eastern District of Virginia (the "Court") and served copies thereof on Debtors' counsel.

PLEASE TAKE FURTHER NOTICE THAT [Name of Prospective Seller] currently beneficially owns [\_\_\_\_\_] shares of the Circuit City Stock (including any Options with respect to any Circuit City Stock).

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Proposed Transfer, [Name of Prospective Seller] proposes to sell, trade, or otherwise transfer [\_\_\_\_\_] shares of Circuit City Stock or an Option with respect to [\_\_\_\_\_] shares of Circuit City Stock. If the Proposed Transfer is permitted to occur, [Name of Prospective Seller] will beneficially own [\_\_\_\_\_] shares of Circuit City Stock after the transfer.

PLEASE TAKE FURTHER NOTICE THAT the last four digits of the taxpayer identification or social security number of [Name of Prospective Seller] is [\_\_\_\_\_].

PLEASE TAKE FURTHER NOTICE that, under penalties of perjury, [Name of Prospective Seller] hereby declares that it has examined this Notice and accompanying attachments (if any), and, to the best of its knowledge and belief, this Notice and any attachments which purport to be part of this Notice are true, correct, and complete.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_\_\_\_]), this Notice is being (a) filed with the Office of the United States Trustee for the Eastern District of Virginia, 701 East Broad Street, Suite 4304, Richmond, Virginia, (Attn: Robert B. Van Arsdale), and (b) served upon counsel to the Debtors, Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, PO Box 636, Wilmington, DE 19899 (Attn: Gregg Galardi).

PLEASE TAKE FURTHER NOTICE that the Debtors have 30 calendar days after receipt of this Notice to object to the Proposed Transfer described herein. If the Debtors file an

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owner of an Option to acquire Circuit City Stock may be treated as the owner of such Circuit City Stock.

objection, such Proposed Transfer will not be effective unless approved by a final and nonappealable order of the Court. If the Debtors do not object within such 30-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in the Notice.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by [Name of Prospective Seller] that may result in [Name of Prospective Seller] selling, trading or otherwise transferring shares of Circuit City Stock (or an Option with respect thereto) will each require an additional notice filed with the Court to be served in the same manner as this Notice.

Respectfully Submitted,

\_\_\_\_\_  
(Name of Shareholder)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit B-1**  
(Notice of Filing of Statement)

Exhibit B-1

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF (A) FILING OF DISCLOSURE STATEMENT WITH RESPECT TO  
382(1)(5) PLAN OF REORGANIZATION, (B) THRESHOLD AMOUNT,  
(C) DISCLOSURE STATEMENT NOTICE RECORD DATE AND  
(D) OBLIGATIONS OF BENEFICIAL CLAIMHOLDERS**

PLEASE TAKE NOTICE OF THE FOLLOWING:

**1. Entry of Order.** On November 10, 2008, the United States Bankruptcy Court for the Eastern District of Virginia entered the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the " Trading Order"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**2. Notice of Filing of Disclosure Statement with Respect to 382(1)(5) Plan of Reorganization.** On [Date], the Debtors filed a disclosure statement (Docket No. [\_]) with respect to the [caption of plan] (Docket No. [\_]) (the "Plan"). The Plan is a 382(1)(5) Plan, as defined in the Trading Order and has been filed with the Court.

**3. Threshold Amount.** The Debtors' most current estimate of the Threshold Amount<sup>4</sup> of Claims is [\_\_\_\_\_].

<sup>4</sup> The term "Threshold Amount" is defined in the Trading Order as: "the amount of claims that are projected by the Debtors to entitle the Beneficial Claimholder thereof to become the Beneficial Claimholder

(cont'd)

**4. Disclosure Statement Notice Record Date.** The Disclosure Statement Notice Record Date is 5:00 p.m., Eastern Time, on [insert date that is ten business days prior to the date set for the hearing on the Disclosure Statement].

**5. Obligation of Beneficial Claimholders.** Each Beneficial Claimholder who holds more than the Threshold Amount of Claims as of the Disclosure Statement Notice Record Date must, in order to comply with the Trading Order, e-mail and fax to counsel to the Debtors a report in the form attached hereto as Annex 1 (the "Initial Holdings Report") identifying (a) the nature and amount of Claims held by such Beneficial Holder as of the Disclosure Statement Notice Record Date and (b) the Protected Amount of Claims that is in excess of the Threshold Amount of Claims.<sup>5</sup>

**6. Deadline for Serving Initial Holdings Report.** The Initial Holdings Report shall be served in accordance with the preceding sentence to the e-mail addresses and fax numbers identified on the attached Annex 1 no later than 5:00 p.m., Eastern Time, on [date that is three business days prior to the first date set by the Court for the hearing to consider the Disclosure Statement].

Dated: Richmond, Virginia  
[Date]

BY ORDER OF THE COURT

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*(cont'd from previous page)*

of the Applicable Percentage of Affected Securities."

<sup>5</sup> The term "Protected Amount" is defined in the Trading Order as: "the amount of claims of which a Beneficial Claimholder had Beneficial Ownership on the Petition Date, increased by the amount of claims of which such Beneficial Claimholder acquires Beneficial Ownership pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date minus the amount of claims that such Beneficial Claimholder sells pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date."

Annex 1

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

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- - - - - x
:
In re:           : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. ____-____ (____)
et al.,       :
: Jointly Administered
Debtors.        :
:
- - - - - x

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**INITIAL HOLDINGS REPORT**

This Initial Holdings Report is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Report, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1. As of the Disclosure Statement Notice Record Date, the undersigned is the Beneficial Owner of the following Claims:**

Nature of Claim(s) (e.g., trade claim, rejection damage claim, bond claim, indemnity claim, etc.)	Dollar Amount of Claim(s)


**Total**

2. As of the Petition Date, the undersigned's Protected Amount of Claims in excess of the Threshold Amount of Claims was \$\_\_\_\_\_.

3. In accordance with the Trading Order, a copy of this Initial Holdings Report was served by the undersigned by fax and e-mail on:

a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit B-2**  
(Initial Holdings Report)

EXHIBIT B-2

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

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- - - - - x
:
In re:           : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. ____-____ (____)
et al.,       :
: Jointly Administered
Debtors.        :
:
- - - - - x

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**INITIAL HOLDINGS REPORT**

This Initial Holdings Report is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Report, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1. As of the Disclosure Statement Notice Record Date, the undersigned is the Beneficial Owner of the following Claims:**

Nature of Claim(s) (e.g., trade claim, rejection damage claim, bond claim, indemnity claim, etc.)	Dollar Amount of Claim(s)


**Total**

2. As of the Petition Date, the undersigned's Protected Amount of Claims in excess of the Threshold Amount of Claims was \$\_\_\_\_\_.

3. In accordance with the Trading Order, a copy of this Initial Holdings Report was served by the undersigned by fax and e-mail on:

a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit B-3**

(Notice of Obligations of Beneficial Claimholders)

EXHIBIT B-3

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF (A) THRESHOLD AMOUNT,  
(B) PRE-CONFIRMATION NOTICE RECORD DATE AND  
(C) OBLIGATIONS OF BENEFICIAL CLAIMHOLDERS**

PLEASE TAKE NOTICE OF THE FOLLOWING:

**1. Entry of Order.** On November 10, 2008, the United States Bankruptcy Court for the Eastern District of Virginia entered the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**2. Threshold Amount.** The Debtor's current estimate of the Threshold Amount<sup>1</sup> of Claims is [\_\_\_\_].

**3. Pre-Confirmation Notice Record Date.** The Pre-Confirmation Notice Record Date is 5:00 p.m., Eastern Time, on [the service date, which shall not be less than ten days

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<sup>1</sup> The term "Threshold Amount" is defined in the Trading Order as: "the amount of claims that are projected by the Debtors, in consultation with the Creditors' Committee, to entitle the Beneficial Claimholder thereof to become the Beneficial Claimholder of the Applicable Percentage of Affected Securities."

prior to the first date set by the Court for the commencement of the Confirmation Hearing].

**4. Obligation of Beneficial Claimholders.** Each Beneficial Claimholder who holds more than the Threshold Amount of Claims as of the Pre-Confirmation Notice Record Date (each, a "Substantial Claimholder") must, in order to comply with the Trading Order, e-mail and fax to counsel to the Debtors a report in the form attached hereto as Annex 1 (the "Final Holdings Report") identifying the nature and amount of Claims held by such Beneficial Holder as of the Pre-Confirmation Notice Record Date. To the extent any Substantial Claimholder did not file an Initial Holdings Report (as defined in the Trading Order), such Substantial Claimholder must also complete paragraph 2 of the Final Holdings Report identifying the Protected Amount of Claims that is in excess of the Threshold Amount of Claims.<sup>2</sup>

**5. Deadline for Serving Final Holdings Report.** The Final Holdings Report shall be served in accordance with the preceding sentence to the e-mail addresses and fax numbers identified on the attached Annex 1 no later than 5:00 p.m., Eastern Time, on [date that is three days prior to the first date set by the Court for the commencement of the Confirmation Hearing].

Dated: Richmond, Virginia  
[Insert Date]

BY ORDER OF THE COURT

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<sup>2</sup>

The term "Protected Amount" is defined in the Trading Order as: "the amount of claims of which a Beneficial Claimholder had Beneficial Ownership on the Petition Date, increased by the amount of claims of which such Beneficial Claimholder acquires Beneficial Ownership pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date minus the amount of claims that such Beneficial Claimholder sells pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date."

ANNEX 1

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

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- - - - - x
:
In re:           : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. ____-____ (____)
et al.,        :
: Jointly Administered
Debtors.        :
:
- - - - - x

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**FINAL HOLDINGS REPORT**

This Final Holdings Report is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Report, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1. As of the Pre-Confirmation Notice Record Date, the undersigned is the Beneficial Owner of the following Claims:**

Nature of Claim(s) ( <u>e.g.</u> , trade claim, rejection damage claim, bond claim, indemnity claim, etc.)	Dollar Amount of Claim(s)


Total

2. As of the Petition Date, the undersigned's Protected Amount of Claims in excess of the Threshold Amount of Claims was \$\_\_\_\_\_.

3. In accordance with the Trading Order, a copy of this Final Holdings Report was served by the undersigned by e-mail and fax on:

a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit B-4**  
(Final Holdings Report)

EXHIBIT B-4

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

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- - - - - x
:
In re:           : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. ____-____ (____)
et al.,        :
: Jointly Administered
Debtors.        :
:
- - - - - x

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**FINAL HOLDINGS REPORT**

This Final Holdings Report is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Report, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1. As of the Pre-Confirmation Notice Record Date, the undersigned is the Beneficial Owner of the following Claims:**

Nature of Claim(s) ( <u>e.g.</u> , trade claim, rejection damage claim, bond claim, indemnity claim, etc.)	Dollar Amount of Claim(s)


Total

2. As of the Petition Date, the undersigned's Protected Amount of Claims in excess of the Threshold Amount of Claims was \$\_\_\_\_\_.

3. In accordance with the Trading Order, a copy of this Final Holdings Report was served by the undersigned by e-mail and fax on:

a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit B-5**

(Notice of Obligations of Substantial Claimholders)

Exhibit B-5

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF (A) CONFIRMATION OF 382(1)(5) PLAN OF  
REORGANIZATION, (B) MAXIMUM AMOUNT AND  
(C) OBLIGATIONS OF SUBSTANTIAL CLAIMHOLDERS**

PLEASE TAKE NOTICE OF THE FOLLOWING:

**1. Entry of Order.** On November 10, 2008, the United States Bankruptcy Court for the Eastern District of Virginia entered the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**2. Notice of Confirmation of 382(1)(5) Plan of Reorganization.** On [Date], the United States Bankruptcy Court for the Eastern District of Virginia confirmed the Plan. The Plan is a 382(1)(5) Plan as defined in the Trading Order.

**3. Maximum Amount of Claims that May Be Held by a Substantial Claimholder.** In accordance with Section 4 of the Trading Order, the Debtor has calculated the Maximum Amount of Claims that may be held by [name of Substantial Claimholder], as of the Effective Date of the 382(1)(5) Plan, to be \$[\_\_\_\_]. Such Amount was determined as follows:

[Insert Calculation]

**4. Sell Down Amount.** The total amount of Claims that all Substantial Claimholders must sell (to parties other than Substantial Claimholders or parties that would become Substantial Claimholders by reason of such sales to them) to effectuate the 382(1)(5) Plan is \$[\_\_\_\_].

[Insert Calculation]

**5. Objection to Maximum Amount or Sell Down Amount.** A Substantial Claimholder who has complied with the notice procedures contained in Section 4 of the Trading Order may, no later than 10 calendar days from service of this Sell-Down Notice, object to the manner in which the Maximum Amount or the Sell-Down Amount specified in this Sell-Down Notice were calculated or on the grounds that this Sell-Down Notice contains a mathematical error that would result in requiring the Substantial Claimholder to reduce its ownership below the Maximum Amount or the Protected Amount for such Substantial Claimholder. Any such objection must be e-mailed and faxed to counsel to the Debtors at the e-mail addresses and fax numbers identified on the attached Annex 1. In connection with any such objection, the Substantial Claimholder shall disclose its holdings to counsel to the Debtors as of the time of the filing of the objection and as of the time of any hearing on such objection. The Debtors may serve a new Sell-Down Notice by overnight delivery service within the United States correcting such errors; any Substantial Claimholder required to sell additional Claims as a result of such correction shall have 20 calendar days from service of any new Sell-Down Notice to effect the additional Sell-Down.

**6. Obligations of Substantial Claimholders.** As ordered and directed in the Trading Order, prior to the Effective Date, each Substantial Claimholder shall sell an amount of Claims equal to its share of the Sell-Down Amount or such other amount necessary so that no Substantial Claimholder shall, as of the Effective Date, hold Claims in excess of the Maximum Amount for such claimholder (the "Sell-Down"). Each Substantial Claimholder shall sell or otherwise transfer its Claims subject to the Sell-Down to unrelated persons or entities; provided further that the Substantial Claimholder shall not have a reasonable basis to believe that such persons or entities, would own, immediately after the contemplated consummation of such

transfer, an amount of Claims in excess of the Maximum Amount for such claimholder.

**7. Notice of Compliance.** A Substantial Claimholder subject to the Sell-Down shall, before the Effective Date and as a condition to receiving Affected Securities, e-mail and fax to counsel to the Debtors at the e-mail address and fax number identified on the attached Annex 1, a written statement in the form attached hereto as Annex 1 that such Substantial Claimholder has complied with the terms and conditions set forth in this Notice and Paragraph 4 of the Trading Order and that such Substantial Claimholder does not hold Claims, as of the Effective Date, in an amount in excess of the Maximum Amount.

Dated: Richmond, Virginia  
[Insert Date]

BY ORDER OF THE COURT

ANNEX 1

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF COMPLIANCE**

This Notice of Compliance is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1.** The undersigned has complied in full with the Sell-Down Procedures set forth in Section 4 of the Trading Order and does not hold Claims, as of the Effective Date, in an amount in excess of \$\_\_\_\_\_, the Maximum Amount.

**2.** In accordance with the Trading Order, the undersigned served a copy of this Notice on counsel for the Debtors at the e-mail address(es) and fax number(s) identified below.

**3. Service Information.**

a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit B-6**  
(Notice of Compliance)

EXHIBIT B-6

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF COMPLIANCE**

This Notice of Compliance is being submitted as required by the Order Under 11 U.S.C. §§ 105, 362 And 541 And Fed. R. Bankr. P. 3001 And 3002 Establishing Notice, Hearing, And Sell-Down Procedures For Trading In Equity Securities And Claims Against The Debtors' Estates (Docket No. [\_]) (the "Trading Order"). Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Trading Order.

**1.** The undersigned has complied in full with the Sell-Down Procedures set forth in Section 4 of the Trading Order and does not hold Claims, as of the Effective Date, in an amount in excess of \$\_\_\_\_\_, the Maximum Amount.

**2.** In accordance with the Trading Order, the undersigned served a copy of this Notice on counsel for the Debtors at the e-mail address(es) and fax number(s) identified below.

**3. Service Information.**



a. Counsel for the Debtors:

Gregg M. Galardi, Esq.  
SKADDEN, ARPS, SLATE, MEAGHER AND FLOM  
One Rodney Square, PO Box 636  
Wilmington, Delaware 19899-0636  
Facsimile: (302) 651-3001  
E-mail: Gregg.Galardi@skadden.com

Name: \_\_\_\_\_

Social Security  
or Federal Tax  
I.D. No. (optional): \_\_\_\_\_

Signature: \_\_\_\_\_

If by Authorized  
Agent, Name and  
Title: \_\_\_\_\_

Street Address:  
City, State,  
Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit C**  
(Notice of Order)

EXHIBIT C

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
:  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. \_\_\_\_-\_\_\_\_ (\_\_\_\_)  
et al., :  
: Jointly Administered  
Debtors. :  
:  
- - - - - x

**NOTICE OF ORDER UNDER 11 U.S.C. §§ 105, 362 AND 541 AND  
FED. R. BANKR. P. 3001 AND 3002 ESTABLISHING NOTICE,  
HEARING, AND SELL-DOWN PROCEDURES FOR TRADING IN EQUITY  
SECURITIES AND CLAIMS AGAINST THE DEBTORS' ESTATES**

TO ALL PERSONS OR ENTITIES WITH CLAIMS AGAINST OR EQUITY  
INTERESTS IN THE DEBTORS<sup>1</sup>:

PLEASE TAKE NOTICE that on November 10, 2008  
("Petition Date"), Circuit City Stores, Inc. ("Circuit  
City") and certain of its subsidiaries and affiliates (the  
"Affiliate Debtors," and together with Circuit City, the  
"Debtors"), commenced cases under chapter 11 of title 11 of  
the United States Code 11 U.S.C. §§ 101-1330, as amended  
(the "Bankruptcy Code"). Subject to certain exceptions,  
section 362 of the Bankruptcy Code operates as a stay of

<sup>1</sup> The Debtors and the last four digits of their respective taxpayer  
identification numbers are as follows: Circuit City Stores, Inc.  
(3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc.  
(0875), Ventoux International, Inc. (1838), Circuit City Purchasing  
Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution  
Company of Virginia, Inc. (2821), Circuit City Properties, LLC  
(3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency,  
Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311),  
Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116),  
Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit  
City Stores PR, LLC (5512). The address for Circuit City Stores  
West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado  
80031. For all other Debtors, the address is 9950 Mayland Drive,  
Richmond, Virginia 23233.

any act to obtain possession of property of the Debtors' estates or of property from the Debtors' estates or to exercise control over property of the Debtors' estates.

PLEASE TAKE FURTHER NOTICE that on November 10, 2008, the Debtors filed a motion seeking entry of an order pursuant to sections 105, 362, and 541 of the Bankruptcy Code establishing notice, hearing, and sell-down procedures for trading in equity securities and claims against the debtors' estates (the "Motion").

PLEASE TAKE FURTHER NOTICE THAT on [\_\_\_\_], 2008, the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") entered an order approving the procedures set forth below in order to preserve the Debtors' net operating losses and certain other tax attributes ("Tax Attributes") pursuant to sections 105, 362, and 541 of the Bankruptcy Code (the "Order"). **Except as otherwise provided in the Order, any sale or other transfer of claims against or equity securities in the Debtors in violation of the procedures set forth below shall be null and void ab initio as an act in violation of the automatic stay under section 362 of the Bankruptcy Code.**

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order, the following procedures shall apply to holding and trading in EQUITY SECURITIES OF CIRCUIT CITY :

2. Any purchase, sale, or other transfer of claims against, or equity securities in, the Debtors in violation of the procedures set forth herein (including the notice requirements set forth in Sections 3(a) and 4(a) and (c) below) shall be null and void ab initio as an act in violation of the automatic stay under U.S.C. §§ 362 and 105(a) of the Bankruptcy Code.

3. The following procedures shall apply to trading in equity securities of Circuit City Stores, Inc. ("Circuit City"):

(a) Any person or entity (as defined in Treasury Regulations Section 1.382-3(a) for purposes of this Section 3) who currently is or becomes a Substantial Shareholder (as defined in Paragraph (e) below) shall file with this Court, and serve on counsel to the Debtors, a notice of such status, in the form attached hereto as Exhibit A-1, on or before the later of (A) twenty (20)

calendar days after the effective date of the notice of entry of this Order or (B) ten (10) calendar days after becoming a Substantial Shareholder.

(b) At least thirty (30) calendar days prior to effectuating any transfer of equity securities (including Options to acquire such securities, as defined below) that would result in an increase in the amount of Circuit City Stock beneficially owned by a Substantial Shareholder or would result in a person or entity becoming a Substantial Shareholder, such Substantial Shareholder shall file with this Court, and serve on counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit A-2, of the intended transfer of equity securities.

(c) At least thirty (30) calendar days prior to effectuating any transfer of equity securities (including Options to acquire such securities) that would result in a decrease in the amount of Circuit City Stock beneficially owned by a Substantial Shareholder or would result in a person or entity ceasing to be a Substantial Shareholder, such Substantial Shareholder shall file with this Court, and serve on counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit A-3, of the intended transfer of equity securities (the notices required to be filed and served under Paragraph (b) and this Paragraph (c), each a "Notice of Proposed Transfer").

(d) The Debtors shall have thirty (30) calendar days after receipt of a Notice of Proposed Transfer to file with this Court and serve on such Substantial Shareholder an objection to any proposed transfer of equity securities described in the Notice of Proposed Transfer on the grounds that such transfer may adversely affect the Debtors' ability to utilize their Tax Attributes. If the Debtors file an objection, such transaction will not be effective unless approved by a final and nonappealable order of this Court. If the Debtors do not object within such 30-day period, such transaction may proceed solely as set forth in the Notice of Proposed Transfer. Further transactions within the scope of this Paragraph must be the subject of additional notices as set forth herein, with an additional 30-day waiting period.

(e) For purposes of this Order, (A) a "Substantial Shareholder" is any person or entity which

beneficially owns at least 7,848,226 shares (representing approximately 4.75% of all issued and outstanding shares) of the common stock of ("Circuit City Stock"), and (B) "beneficial ownership" (or any variation thereof of Circuit City Stock and Options to acquire Circuit City Stock) shall be determined in accordance with applicable rules under Section 382 of the I.R.C., Treasury Regulations promulgated thereunder and rulings issued by the Internal Revenue Service, and thus, to the extent provided therein, from time to time shall include, without limitation, (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), (ii) ownership by such holder's family members and persons acting in concert with such holder to make a coordinated acquisition of stock, and (iii) an Option to acquire Circuit City Stock. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable. For the avoidance of doubt, by operation of the definition of beneficial ownership in clause (B) of this Paragraph, an owner of an Option to acquire Circuit City Stock may be treated as the owner of such Circuit City Stock.

4. The following procedures shall apply to trading in claims against the Debtors:

(a) Notice of 382(1)(5) Plan and 382(1)(5) Disclosure Statement. The Debtors shall, upon filing a disclosure statement with respect to a 382(1)(5) Plan (a "382(1)(5) Disclosure Statement"), simultaneously file with the Court and further publish and serve in the manner specified in Paragraph (j) below a separate notice ("Disclosure Statement Notice") in substantially the form attached as Exhibit B-1. The Disclosure Statement Notice shall (i) state that a 382(1)(5) Plan has been filed with the Court, (ii) disclose the most current estimate of the Threshold Amount and (iii) set a record date, which shall be 5:00 p.m., Eastern Time, on the date set by the Court that is ten (10) business days prior to the date set for the hearing on the 382(1)(5) Disclosure Statement (the "Disclosure Statement Notice Record Date"). Each Beneficial Claimholder who holds more than the Threshold Amount (each, a "Substantial Claimholder") as of the

Disclosure Statement Notice Record Date is hereby ordered and directed to email and fax to counsel to the Debtors a report in the form attached hereto as Exhibit B-2 (the "Initial Holdings Report") identifying: (I) the nature and amount of Claims held by such Beneficial Claimholder as of the Disclosure Statement Notice Record Date (the "Initial Holdings"); and (II) the Protected Amount that is in excess of the Threshold Amount. The Initial Holdings Report shall be subject to the confidentiality provisions set forth in Paragraph (i) below and shall be served in accordance with the preceding sentence no later than three (3) business days prior to the first date set by the Court for the hearing to consider the 382(l)(5) Disclosure Statement to the email addresses and fax numbers identified on the attached Exhibit B-2. In the event that the hearing to consider the 382(l)(5) Disclosure Statement is adjourned or continued, Substantial Claimholders shall not be required to amend or update their Initial Holdings Reports unless, in the event of an adjournment or continuance, the Debtors establish a new Disclosure Statement Notice Record Date and provides notice thereof, in which case the process above will re-commence.

(b) 382(l)(5) Disclosure Statement. The 382(l)(5) Disclosure Statement shall contain information adequate to permit a party entitled to vote on a 382(l)(5) Plan to determine whether a 382(l)(5) Plan provides greater value than possible alternatives and shall include, without limitation, the following disclosures: (i) the net present value of the projected tax savings of the 382(l)(5) Plan as compared to a 382(l)(6) Plan based on the financial projections included in the 382(l)(5) Disclosure Statement; (ii) a description of the restrictions on trading with respect to the common stock and any other securities of the reorganized Debtors (the "Affected Securities") that will be required or imposed under the 382(l)(5) Plan after the Effective Date to preserve such tax savings; (iii) the projected value of the Affected Securities in the aggregate; and (iv) the projected tax savings of the 382(l)(5) Plan as a percentage of the aggregate value of the Affected Securities. In addition, the Debtors shall promptly (and in any event before the end of the hearing on the 382(l)(5) Disclosure Statement) disclose on a separate filing with the SEC on Form 8-K (i) the aggregate amount of Initial Holdings (the "Total Initial Holdings") and (ii) the estimated maximum amount and percentage of the Total Initial Holdings in each class that may be required to be

sold down as provided below. Such disclosures shall be included in the final 382(1)(5) Disclosure Statement. The foregoing does not limit in any way the right of any party in interest to object to the adequacy of the information in the 382(1)(5) Disclosure Statement.

(c) Notice of Claimholder Acceptance of 382(1)(5) Plan. The Debtor shall file with the Court and further publish and serve in the manner specified in Paragraph (j) below, not less than ten (10) days prior to the commencement of the Confirmation Hearing, a notice (the "Pre-Confirmation Notice") substantially in the form attached hereto as Exhibit B-3, setting forth: (i) a record date, which shall be 5:00 p.m., Eastern Time, on a date that is ten (10) days prior to the first date set by the Court for the Confirmation Hearing (the "Pre-Confirmation Notice Record Date"); and (ii) identifying the most current estimate of the Threshold Amount (determined as of the Pre-Confirmation Notice Record Date). Each Beneficial Claimholder who is a Substantial Claimholder (as determined by the Threshold Amount identified in the Pre-Confirmation Notice) as of the Pre-Confirmation Notice Record Date is hereby ordered and directed to deliver, via e-mail and fax, a report in the form attached hereto as Exhibit B-4 (the "Final Holdings Report") identifying the nature and amount of claims held by such Beneficial Claimholder as of the Pre-Confirmation Notice Record Date (the "Final Holdings"). The Final Holdings Report shall be subject to the confidentiality provisions set forth in Paragraph (i) below and shall be served on counsel to the Debtors no later than the date that is three (3) business days prior to the first date set by the Court for the Confirmation Hearing to the e-mail addresses and fax numbers identified on the attached Exhibit B-2. For any Substantial Claimholder who did not serve an Initial Holdings Report, the Final Holdings Report shall also contain such Substantial Claimholder's Protected Amount that is in excess of the Threshold Amount. In the event that the Confirmation Hearing is adjourned or continued, Substantial Claimholders shall not be required to amend or update their Final Holdings Reports unless, in the event of an adjournment or continuance, the Debtors establish a new Pre-Confirmation Notice Record Date and provides notice thereof, in which case the process above will re-commence.

(d) Sell-Down Notice. If the Court confirms the 382(1)(5) Plan, the Debtors shall serve a notice



substantially in the form attached hereto as Exhibit B-5 (the "Sell-Down Notice") by overnight delivery service within the United States upon each Substantial Claimholder (as of the Pre-Confirmation Notice Record Date) within five (5) business days after the entry of the order confirming the 382(1)(5) Plan. The Sell-Down Notice shall (i) state that the 382(1)(5) Plan has been confirmed; (ii) contain the results of the calculations described in Paragraph (f)(i) below, including the calculation of the Maximum Amount and the information used to perform all such calculations to the extent that the Debtors are not required by this Order or other confidentiality restrictions to keep such information confidential; and (iii) provide notice that, pursuant to this Order, each Substantial Claimholder is ordered and directed to comply with the Sell-Down Procedures (set forth in Paragraph (f) below) before the Effective Date.

(e) Effective Date. The Effective Date of any 382(1)(5) Plan shall not be earlier than thirty (30) calendar days after the Confirmation Date.

(f) Sell-Down Procedures. If and only to the extent that a 382(1)(5) Plan is confirmed by this Court then, to the extent necessary to effectuate the 382(1)(5) Plan, each Beneficial Claimholder who is, as of the Pre-Confirmation Notice Record Date, a Substantial Claimholder (other than a Permitted Substantial Claimholder whose Claims shall not be required to be sold as part of the Sell-Down pursuant to Paragraph (f)(ii) below), is hereby ordered and directed to comply with the following sell-down procedures (the "Sell-Down Procedures"):

(i) The Maximum Amount. The Debtors shall calculate the maximum amount of claims that may be held, as of the Effective Date of the 382(1)(5) Plan, by a Substantial Claimholder that was a Substantial Claimholder as of the Pre-Confirmation Notice Record Date (the "Maximum Amount") as follows:

(1) Based upon the information provided by the Substantial Claimholders in the Final Holdings Reports, the Debtors shall calculate the total amount of claims that all Substantial Claimholders must sell to effectuate the 382(1)(5) Plan assuming that all Incremental Holdings will be sold prior to any Sell-Down of

claims held by the Substantial Claimholders prior to the Disclosure Statement Notice Record Date and taking into account in its determination the portion of claims held by Substantial Claimholders that the Debtors reasonably conclude (based on evidence furnished by the Substantial Claimholders) have not existed since a date that was 18 months before the Petition Date and that are not "ordinary course" claims, within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv) (the "Sell-Down Amount").

(2) If the Sell-Down Amount is less than or equal to the Total Incremental Holdings, the Debtors shall calculate the amount of each Substantial Claimholder's *pro rata* share of the Sell-Down Amount (*i.e.*, the Sell-Down Amount multiplied by a fraction, the numerator of which is the Substantial Claimholder's Incremental Holdings and the denominator of which is the Total Incremental Holdings);

(3) If the Sell-Down Amount exceeds Total Incremental Holdings, the Debtors shall calculate for each Substantial Claimholder the amount of such Substantial Claimholder's *pro rata* share of such excess (*i.e.*, the total amount of such excess multiplied by a fraction, the numerator of which is such Substantial Claimholder's Initial Holdings minus the Threshold Amount and the denominator of which is the Total Initial Holdings in excess of the Threshold Amount of all Substantial Claimholders) and add to that the amount of such Substantial Claimholder's Incremental Holdings; and

(4) For each Substantial Claimholder, the Debtors shall subtract from the total claims held by such Substantial Claimholder (as reported in the Final Holdings Report) such Substantial Claimholder's share of the Sell-Down Amount calculated in accordance with clauses (ii) or (iii) above, as applicable. The difference shall be the Maximum Amount.

(ii) Sell-Down. Prior to the Effective Date, each Substantial Claimholder shall sell an amount of claims equal to its share

of the Sell-Down Amount or such other amount necessary so that no Substantial Claimholder shall, as of the Effective Date, hold claims in excess of the Maximum Amount for such claimholder (the "Sell-Down"); provided, however, that notwithstanding anything to the contrary in this Order, no Beneficial Claimholder shall be required to sell any claims if such sale would result in such Beneficial Claimholder having Beneficial Ownership of an aggregate amount of Claims that is less than such Beneficial Claimholder's Protected Amount. Each Substantial Claimholder shall sell or otherwise transfer its claims subject to the Sell-Down to unrelated Entities; provided further that the Substantial Claimholder shall not have a reasonable basis to believe that such Entity would own, immediately after the contemplated consummation of such transfer, an amount of claims in excess of the Maximum Amount for such Claimholder.

(iii) Objections to Sell-Down Notices. A Substantial Claimholder who has complied with the notice procedures contained in this Section 4 may, no later than ten (10) calendar days from service of the Sell-Down Notice, object to the manner in which the Maximum Amount or the Sell-Down Amount specified in a Sell-Down Notice were calculated or on the grounds that such notice contained a mathematical error that would result in requiring the Substantial Claimholder to reduce its ownership below the Maximum Amount or the Protected Amount for such Substantial Claimholder. In connection with any such objection, the Substantial Claimholder shall disclose its holdings to counsel to the Debtors as of the time of the filing of the objection and as of the time of any hearing on such objection. The Debtors may serve a new Sell-Down Notice by overnight delivery service within the United States correcting such errors; any Substantial Claimholder required to sell additional claims as a result of such correction shall have twenty (20) calendar days from service of any new Sell-Down Notice to effect the additional Sell-Down.

(iv) Notice of Compliance. A Substantial Claimholder subject to the Sell-Down shall, before the Effective Date and as a condition to receiving Affected Securities, deliver to counsel to the Debtors, a written statement substantially in the form of Exhibit B-6 hereto that such Substantial Claimholder has complied with the terms and conditions set forth in Paragraph (f)(ii) and that such Substantial Claimholder will not hold claims, as of the Effective Date, in an amount in excess of the greater of the Maximum Amount or the Protected Amount (if any) for such Substantial Claimholder (the "Notice of Compliance"). Any Substantial Claimholder who fails to comply with this provision shall not receive Affected Securities with respect to any claims in excess of the greater of such claimholder's Protected Amount or the then current Threshold Amount.

(v) Applicable Authority. For the avoidance of doubt, Section 382 of the I.R.C., the Treasury Regulations promulgated thereunder and all relevant Internal Revenue Service and judicial authority shall apply in determining whether the claims of several persons and/or Entities must be aggregated when testing for Substantial Claimholder status. For these purposes and except as specifically provided with respect to claims ownership in the Treasury Regulations, the rules and authority identified in the preceding sentence shall be treated as if they applied to claims in the same manner as they apply to stock.

(vi) Subsequent Substantial Claimholders. To the extent that any Entity becomes a Substantial Claimholder after the date in which Final Holdings Reports are due, the Court shall retain jurisdiction so that the Debtors may seek equitable relief similar to the relief described in this Order in order to protect the Debtors' ability to apply Section 382(1)(5) of the I.R.C.

(g) Claimholder Participation. To permit reliance by the Debtors on Treasury Regulation Section 1.382-9(d)(3), any Beneficial Claimholder that participates

in formulating any chapter 11 plan of reorganization of or on behalf of the Debtors (which shall include, without limitation, making any suggestions or proposals to the Debtors or their advisors with regard to such a plan), shall not, and shall not be asked to, disclose (or otherwise make evident unless compelled to do so by an order of a court of competent jurisdiction or some other applicable legal requirement) to the Debtors that any claims in which such Beneficial Claimholder has a beneficial ownership are Newly Traded Claims (the "Participation Restriction"). For this purpose, the Debtors acknowledge and agree that the following activities shall not, where in pursuing such activities the relevant Beneficial Claimholder does not disclose (or otherwise make evident) to the Debtors that such Beneficial Claimholder has beneficial ownership of Newly Traded Claims, constitute a violation of the Participation Restriction: (a) filing an objection to a proposed disclosure statement or to confirmation of a proposed plan of reorganization; (b) negotiating the terms of, or voting to accept or reject, a proposed plan of reorganization; (c) reviewing or commenting on a proposed business plan; (d) membership on the Creditors' Committee or other official or *ad hoc* committee; (e) providing information other than with respect to its claims to the Debtors on a confidential basis; or (f) taking any action required by this Order. Any claimholder found by the Court to have violated the Participation Restriction, and who, as a result, would prevent the Debtors from implementing a 382(l)(5) Plan, shall be required to dispose of Newly Traded Claims of which such Entity has Beneficial Ownership in the manner specified in Paragraph (f)(ii) above and shall be subject to the Forfeiture Remedy described in Paragraph (h) below.

(h) Sanctions for Noncompliance. If any Substantial Claimholder fails to comply with the Sell-Down applicable to it, such Substantial Claimholder shall not be entitled to receive Beneficial Ownership of any Affected Securities in connection with the implementation of the 382(l)(5) Plan with respect to any claims required to be sold pursuant to a Sell-Down Notice. Any Substantial Claimholder that violates this Order shall be required to forfeit the Affected Securities (the "Forfeiture Remedy"). The Debtors may seek to enforce the Forfeiture Remedy, on notice to the Entity upon whom such sanctions are sought to be imposed, on an expedited basis. The Debtors also reserve the right to seek from this Court, on an expedited basis,

other sanctions or damages for a willful violation of this Order, on notice to the Entity upon whom such sanctions are sought to be imposed, including, but not limited to damages for loss of any tax benefits caused by such violation and any injunction or other relief necessary or appropriate to remedy such violation. Any distribution of Affected Securities pursuant to the implementation of the 382(l)(5) Plan that is precluded by an order enforcing the Forfeiture Remedy (the "Forfeited Equity") shall be void *ab initio*. Any Entity that receives Forfeited Equity shall, immediately upon becoming aware of such fact, return the Forfeited Equity to the reorganized Debtors or, if all of the shares properly issued to such Entity and all or any portion of such Forfeited Equity have been sold prior to the time such Entity becomes aware of such fact, such Entity shall return to the reorganized Debtors (a) any Forfeited Equity still held by such Entity and (b) the proceeds attributable to the sale of Forfeited Equity. Any Entity that receives Forfeited Equity and fails to comply with the preceding sentence shall be subject to such additional sanctions as the Court may determine. The reorganized Debtors shall distribute any Forfeited Equity in accordance with the 382(l)(5) Plan.

(i) Confidentiality. The Initial Holdings Report, the Final Holdings Report, the Sell-Down Notices and the Notice of Compliance, and the information contained therein, shall be treated as confidential information and shall be available only to the Debtors and counsel and financial or tax advisors to the Debtors. Each recipient of any Initial Holdings Report, Final Holdings Report, Sell-Down Notice and the Notice of Compliance (or similar notices provided under the Order) shall keep the information contained therein confidential and shall not disclose such information to any Entity (including, without limitation, any member of the Creditors' Committee) unless required to produce it in a legal proceeding or subject to further Court order.

(j) Notice. Any notices required to be published under Section 4 of this Order shall be published in the *Richmond Times-Dispatch*, *The Wall Street Journal* and the *Financial Times*. All notices required to be served shall be served on the following parties via electronic mail if an e-mail address is known, or by overnight mail if an e-mail address is not known: (a) the Office of the United States Trustee for the Eastern District of Virginia

(which shall be sent by overnight mail only); (b) the Securities and Exchange Commission; (c) the Internal Revenue Service; (d) the United States Attorney's Office for the Eastern District of Virginia; (e) counsel to the Prepetition Lenders; (f) the parties included on the Debtors' list of fifty (50) largest unsecured creditors; (g) any statutory committee appointed under Section 1102 of the Bankruptcy Code; and (h) the transfer agents for any Circuit City Stock.

(k) The requirements set forth in this Order are in addition to the requirements of Bankruptcy Rule 3001(e) and applicable securities, corporate and other laws, and do not excuse compliance therewith.

(l) The Court shall retain jurisdiction to interpret, enforce, aid in the enforcement of and resolve any disputes or matters related to any of the provisions of this Order.

(m) For purposes of Section 4 of this Order, the following definitions shall apply:

(i) "382(1)(5) Plan" means a plan of reorganization for the Debtors under chapter 11 of the Bankruptcy Code that provides for or contemplates the use of net operating loss carryforwards and other tax attributes under Section 382(1)(5) of the I.R.C. and that restricts transfers of Beneficial Ownership of Affected Securities for not less than two years after the reorganization in order to avoid an "ownership change," as such term is defined in the I.R.C. and regulations promulgated thereunder.

(ii) "382(1)(6) Plan" means a plan of reorganization for the Debtors under chapter 11 of the Bankruptcy Code that provides for or contemplates the use of net operating loss carryforwards and other tax attributes under, and subject to the limitations of, Section 382(1)(6) of the I.R.C.

(iii) "Applicable Percentage" means, if only one class of Affected Securities is to be issued pursuant to the terms of a 382(1)(5) Plan, 4.75% of the number of such shares that the

Debtors reasonably estimate will be issued at the effective date of such 382(1)(5) Plan. If more than one class of Affected Securities is to be distributed pursuant to the terms of a 382(1)(5) Plan, the Applicable Percentage shall be determined by the Debtors in their reasonable judgment in a manner consistent with the estimated range of values for the equity to be distributed reflected in the valuation analysis set forth in the 382(1)(5) Disclosure Statement, and shall be expressed in a manner that makes clear how many shares of common equity would constitute the Applicable Percentage.

(iv) "Beneficial Ownership" of claims shall be determined in accordance with applicable rules under Section 382 of the I.R.C. and regulations promulgated thereunder, as if such rules applied to claims in the same manner as they apply to equity except to the extent inconsistent with rules and regulations specifically applicable to the ownership of claims.

(v) "Beneficial Claimholders" means those Entities that have Beneficial Ownership of claims.

(vi) "claim" shall have the meaning ascribed to that term in Section 101(5) of the Bankruptcy Code and includes, without limitation, a lessor's right to any current or future payment under or arising out of any lease with respect to which any Debtor is a lessee.

(vii) "Confirmation Date" means the date on which the Court enters an order confirming a 382(1)(5) Plan.

(viii) "Confirmation Hearing" means a hearing held before this Court on the confirmation of the 382(1)(5) Plan pursuant to Section 1129 of the Bankruptcy Code.

(ix) "382(1)(5) Disclosure Statement" means a disclosure statement filed with the Court relating to a 382(1)(5) Plan.



(x) "Effective Date" means the date on which the 382(l)(5) Plan becomes effective, but in no event less than thirty (30) calendar days from the Confirmation Date.

(xi) "Entity" means a person or entity for purposes of the rules under Section 382 of the I.R.C.

(xii) "Incremental Holdings" means the amount, if any, of Claims identified in each Substantial Claimholders' Final Holdings Report in excess of the greater of (i) the amount contained in each respective Substantial Claimholder's Initial Holdings Report and (ii) the Threshold Amount as of the Disclosure Statement Notice Record Date.

(xiii) "Newly Traded Claims" means claims (i) with respect to which an Entity acquired beneficial ownership after the date that was 18 months before the Petition Date; and (b) that are not "ordinary course" claims, within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv), of which the same Entity has always had beneficial ownership.

(xiv) "Permitted Substantial Claimholder" means a Substantial Claimholder whom the Debtors reasonably conclude acquired its claim in the ordinary course of the Debtors' trade or business (within the meaning of Treasury Regulations Section 1.382-9(d)(2)(iv)) and has at all times since the creation of such claim held the Beneficial Ownership in that claim.

(xv) "Petition Date" means November 10, 2008.

(xvi) "Protected Amount" means the amount of claims of which a Beneficial Claimholder had Beneficial Ownership on the Petition Date, increased by the amount of claims of which such Beneficial Claimholder acquires Beneficial Ownership pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date minus the amount of claims that such Beneficial Claimholder sells

pursuant to trades entered into before the Petition Date that had not yet closed as of the Petition Date.

(xvii) "Substantial Claimholder" means a Beneficial Claimholder who holds more than the Threshold Amount as of the applicable record date and time, as described in Paragraphs 4(a) and 4(c) above.

(xviii) "Threshold Amount" means the amount of claims that are projected by the Debtors to entitle the Beneficial Claimholder thereof to become the Beneficial Claimholder of the Applicable Percentage of Affected Securities.

(xix) "Total Incremental Holdings" means the aggregate amount of all of each Substantial Claimholders' Incremental Holdings.

PLEASE TAKE FURTHER NOTICE that, upon the request of any person, counsel to the Debtors, Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, PO Box 636, Wilmington, Delaware, 19899, Attn: Gregg M. Galardi, will provide a form of each of the required notices described above.

PLEASE TAKE FURTHER NOTICE that, upon the request of any person, Kurtzman Carson Consultants LLC ("KCC"), shall supply a copy of the Order. KCC shall supply a copy of the Order at a cost to be paid by the person requesting it at the prevailing fee being charged by KCC. KCC shall accommodate document requests during normal business hours, Monday to Friday (excluding recognized holidays).

**FAILURE TO FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE SHALL CONSTITUTE A VIOLATION OF THE AUTOMATIC STAY PRESCRIBED BY SECTION 362 OF THE BANKRUPTCY CODE.**

**ANY PROHIBITED PURCHASE, SALE, TRADE, OR OTHER TRANSFER OF CLAIMS AGAINST, OR EQUITY SECURITIES IN, THE DEBTORS IN VIOLATION OF THE ORDER SHALL BE NULL AND VOID AB INITIO AND MAY BE PUNISHED BY CONTEMPT OR OTHER SANCTIONS IMPOSED BY THE BANKRUPTCY COURT.**

**THE DEBTORS PLAN OF REORGANIZATION MAY PROVIDE FOR THE DISALLOWANCE OF CLAIMS AGAINST OR INTERESTS IN THE DEBTORS TO THE EXTENT THAT THEY WOULD ENTITLE THE HOLDERS**

THEREOF TO A DISTRIBUTION OF 4.75% OR MORE OF THE VALUE OF  
THE REORGANIZED DEBTORS.

PLEASE TAKE FURTHER NOTICE that the requirements set forth in this Notice are in addition to the requirements of Rule 3001(e) of the Federal Rules of Bankruptcy Procedure and applicable securities, corporate, and other laws, and do not excuse compliance therewith.

Dated: November 10, 2008  
Richmond, Virginia

SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
Gregg M. Galardi, Esq.  
Ian S. Fredericks, Esq.  
P.O. Box 636  
Wilmington, Delaware 19899-0636  
(302) 651-3000

- and -

SKADDEN, ARPS, SLATE, MEAGHER &  
FLOM, LLP  
Chris L. Dickerson, Esq.  
333 West Wacker Drive  
Chicago, Illinois 60606  
(312) 407-0700

- and -

MCGUIREWOODS LLP  
Dion W. Hayes (VSB No. 34304)  
Douglas Foley (VSB No. 34364)  
One James Center  
901 E. Cary Street  
Richmond, Virginia 23219  
(804) 775-1000

Proposed Counsel for Debtors and  
Debtors in Possession